



# ANNUAL REPORT 2016



## Karakia

Unuhia, unuhia  
 Ko te pou mua, ko te pou roto  
 Ko te pou te wharaua  
 He aturangi mamao  
 Hekeheke iho i runga i ō ara  
 Tākikiwhara te ara ō Ngātoro  
 He ara whano ki te pō  
 Ko te pō nui, ko te pō roa  
 Ko te pō matirerau, ko te pō whaiariki  
 E ko taku waka ko Te Arawa  
 Ngahue i te Parata  
 Eke, eke, eke Tangaroa  
 Eke panuku  
 Hui ē! Taiki ē!



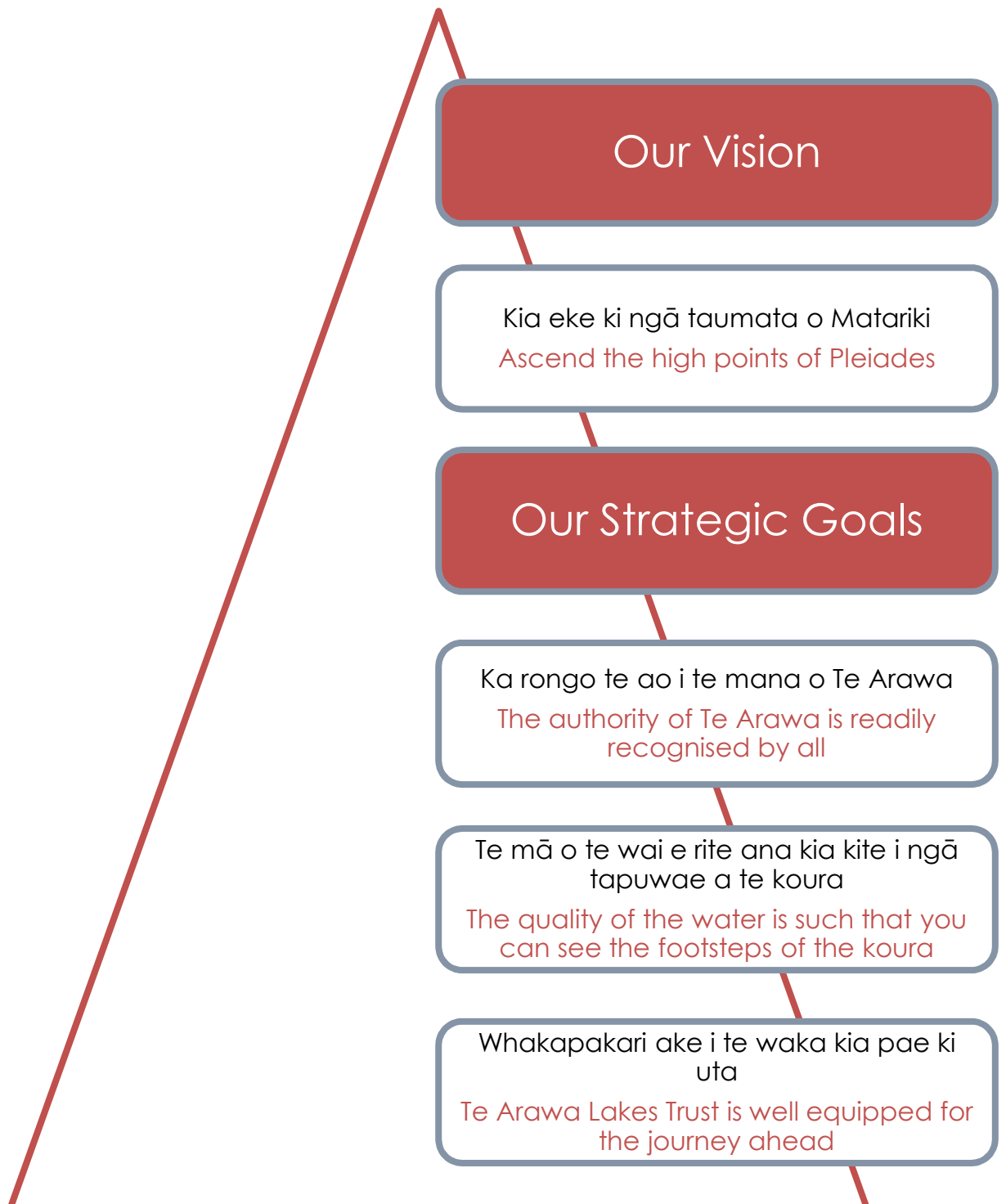
## Mihi

Te Arawa waka, Te Arawa tangata  
 Mai i Maketu ki Tongariro  
 Ko tātau tēnei ngā uri e mihi nei ki a tātau te  
 hunga ora  
 Me te tangi ki a rātau kua wheturangitia  
 Tukua mai ki a piri, tukua mai ki a tata  
 Tihei Mauri Ora!

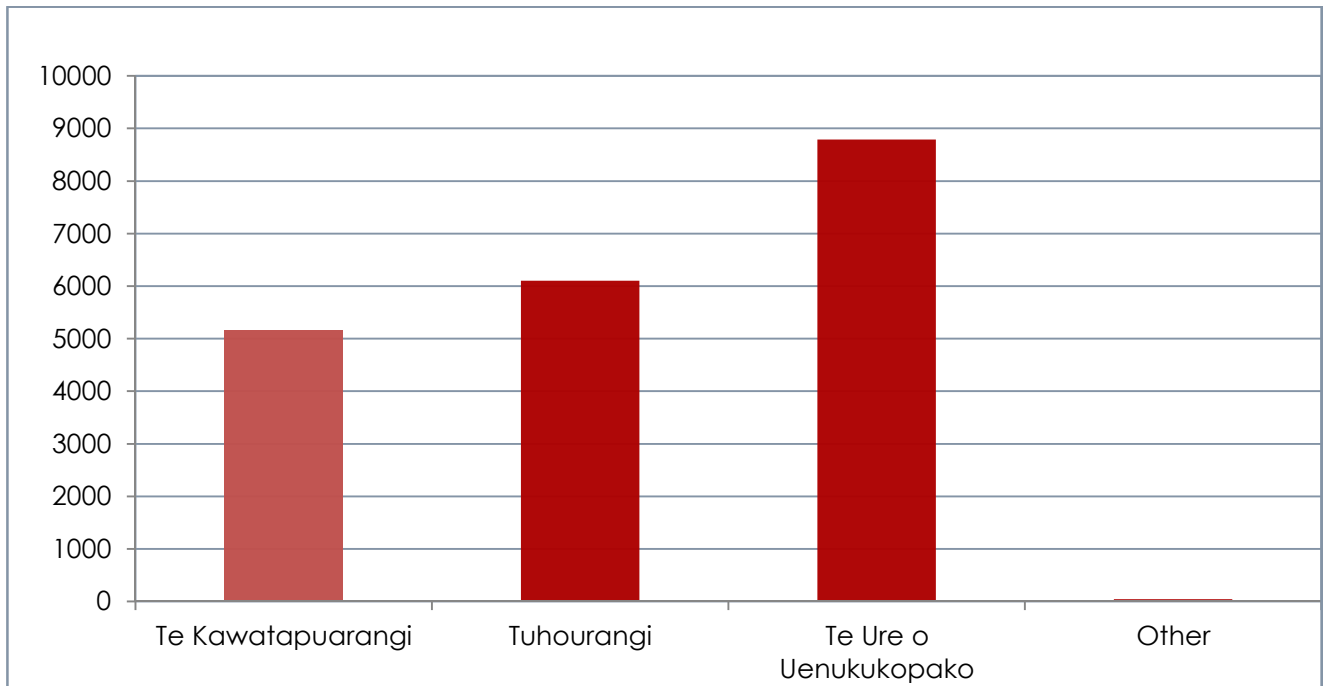
Heoi anō, tuatahi ko te wehi ki te Atua  
 Te fīmatanga ō te whakaaro nui, nō reira  
 He hōnore, he korōria ki a ia  
 He maunga rongo ki runga ki te mata o te  
 whenua  
 He whakaaro pai ki nga tangata katoa  
 Tena tātau katoa



## Our Vision & Strategic Direction



## Te Arawa Lakes Trust Registered Tribal Members



Tūpuna Rohe	Under 18	18 and over	Total
Te Kawatapuārangī	733	4407	5173
Tuhourangi	851	5254	6105
Te Ure o Uenukukopako	1474	7314	8788
Other	3	38	41
<b>Total</b>	<b>3094</b>	<b>17013</b>	<b>20107</b>



# Contents

<u>Karakia</u> .....	2
<u>Mihi</u> .....	2
<u>Our Vision &amp; Strategic Direction</u> .....	3
<u>Te Arawa Lakes Trust Registered Tribal Members</u> .....	4
<u>Agenda</u> .....	6
<u>Minutes of Previous Annual General Meeting</u> .....	7
<u>Te Arawa Lakes Trust Trustees</u> .....	11
<u>Chairman's Report</u> .....	16
<u>Te Arawa Management Limited Chairman's Report</u> .....	18
<u>Te Komiti Whakahaere Chairman's Report</u> .....	23
<u>Tumu Rautaki Taiao Report</u> .....	24
<u>Highlights of the Trust – Matariki Koeke Ball 2016</u> .....	27
<u>Highlights of the Trust – Employment and Training Unit 2016</u> .....	29
<u>Financial Report</u> .....	30
<u>Audited Group Financial Statements</u> .....	32

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# Agenda



**Te Arawa e! E! Te Arawa e! E!**

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## NOTICE OF ANNUAL GENERAL MEETING

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**VENUE:** Paruaharanui Marae

**DATE:** Sunday 11 December 2016

**TIME:** 9.00am to 12.30pm

1. Mihimihi
2. Karakia
3. Apologies
4. Chairman's Report
5. Te Arawa Management Limited Chairman's Report
6. Te Komiti Whakahaere Chairman's Report
7. Tumu Rautaki Taiao Presentation
  - a. Lakes Management Plan
8. Financial Report
9. Resolution – Approve Appointment of Auditor
10. General Business

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**Sir Toby Curtis**

**Chairman**

**Te Arawa Lakes Trust**

# Minutes of Previous Annual General Meeting

## MINUTES OF TE ARAWA LAKES TRUST ANNUAL GENERAL MEETING HELD SUNDAY 29 NOVEMBER 2015 AT WHAKAUE MARAE, MAKETU

### **TRUSTEES IN ATTENDANCE**

Sir Toby Curtis (Chairman), Willie Emery (Deputy Chair), Tipene Marr, Huru Maika, Terry Tapsell, Lana Ngawhika

### **DIRECTORS IN ATTENDANCE**

Richard Jones, Claire McGowan, Hemi Rolleston

### **STAFF IN ATTENDANCE:**

Roku Mihinui, Leilani Ngawhika, Tamara Eapara, Tania Kiel, Eraia Kiel

1. **MIHIMIHI** - Te Wano Walters

2. **KARAKIA** - Arama Pirika

3. **APOLOGIES**

Apologies notified prior to this meeting were recorded in the Trust's apologies register. Apologies from the floor included Gareth Jones, Tanira Kingi and Colin Bennett.

**Resolution:**

**That the Apologies are received and accepted.**

**Tipene Marr / Geoff Rice**

4. **MINUTES OF THE PREVIOUS TALT ANNUAL GENERAL MEETING**

**Resolution:**

**That the meeting minutes of the Te Arawa Lakes Trust's Annual General Meeting held on Sunday 23 November 2014 at Te Pakira Marae, Whakarewarewa be received as a true and accurate record.**

**Geoff Rice / Tipene Marr**

5. **CHAIRMAN'S REPORT – TOBY CURTIS**

**Resolution:**

**That the Chairman's Report be received and accepted.**

**Sir Toby Curtis / Geoff Rice**

6. **CHIEF EXECUTIVE OFFICER'S REPORT – ROKU MIHINUI**

Roku covered the key points in his report.

Aroha Bray congratulated the successful candidates on the Te Arawa Partnership Board.



Maria Horne queried the goal of the Iwi Leaders Forum – is it ownership of the water or a seat at the table? Sir Toby has advised ministers that Te Arawa owns its freshwater and is working through how rights and interests can achieve a place for Maori at the decision making table.

Arama Pirika raised the Rotorua wastewater treatment project; Ngati Te Roro o te Rangi oppose the discharge point at Sulphur Bay, in to Lake Rotorua. Geoff Rice responded saying the objective of the Rotorua wastewater treatment project is to ensure that the quality of the wai is right for discharge in to Lake Rotorua.

Ngamaru Raerino spoke of te arikitanga o te wai. Regarding ownership of the wai, the conversation becomes more difficult. Te mana o te wai is being considered by the Crown. Mauri is the baseline and must be kept intact. Roku noted that the National Policy Framework for freshwater is a tool whereby te mana o te wai is accepted and mauri o te wai is still being considered. Both concepts are in use by the Iwi Leaders Group at this time.

Tony Wihapi noted that Kingi Tuheitia has declared that Maori own water. Roku said that defining rights is about being included in governance decisions around allocation, quantity and quality. Sir Toby noted that water is gold and the Iwi leaders are trying to work through the kaupapa with district and regional councils as well as the ministries and senior officials.

Roku advised that the Rotorua Te Arawa Lakes Strategy Group's Chairman is Sir Toby and the work programme has been going for 9 years with science and technical assistance from Waikato University and Professor David Hamilton to help clean up the lakes.

Tipene Marr asked about the reviewing of water takes in the region, which includes water takes from rivers, streams, bores and aquifers. Roku noted that any new takes must be metered and discussion is ongoing about existing takes being metered. Resource consents around water takes are also being discussed. Ngamaru asked about the numbers of water takes and Roku advised that he would find out that information and advise him.

Rim Paul noted the word 'ownership' being applied to water and land and stated that "I belong to the water and land, rather than the other way around".

Sir Toby concluded by saying that there is pressure on iwi and the crown to agree what the essence of ownership is.

**Resolution:**

**That the Chief Executive Officer's Report be received and accepted.**

**Roku Mihinui / Tony Wihapi**

#### **6a. TE TUAPAPA O NGA WAI O TE ARAWA – TE ARAWA CULTURAL VALUES FRAMEWORK**

Roku went through the cultural values framework presentation and thanked Ngamaru Raerino for his guidance on this project. Further funding from MfE has been provided to implement the framework.

Ken Raureti raised fishing rights on our lakes and believes every Te Arawa descendant should receive a trout licence for the Rotorua lakes.

### **7. TE ARAWA MANAGEMENT LIMITED REPORT – PRESENTATION BY RICHARD JONES**

Richard went through his power point presentation, which included:

- An overview of the properties
- An update on the farms and dairy situation
- Investment opportunities

Questions from the floor were raised regarding the original \$10M cash payment from the treaty

settlement, farm infrastructure replacement, the \$72K deficit from the kiwifruit orchard and the dip in income from residential and commercial properties.

Hemi Rolleston responded noting kiwifruit ventures take 3-4 years to become profitable. Biggest impact has been in the dairy sector. Hemi believes the tide will turn in the next financial year. TAML has a balanced portfolio with investments in Craigs and term deposits returning 3.5 – 4%.

Richard noted that there have been discussions on a Te Arawa-wide collaboration with Ngati Whakaue Assets Trust, Te Arawa Group Holdings, Ngati Whakaue Tribal Lands and Ngati Pikiao for strategic investments.

Tony Wihapi asked about the Pukuatua Street building and what will happen with Nukuteapiapi Whare Tupuna. Richard advised that the building needs seismic assessment and to be strengthened and the priority is ensuring Nukuteapiapi is safe.

Tony asked about Okurei Point and wondered whether a major carving could be placed there to mark this important place for Te Arawa. Sir Toby noted that he and Sir Tumu Te Heuheu met with Mayor Steve Chadwick to discuss how to bring Maketu, Rotorua and Taupo strongholds of Te Arawa together. Sir Toby and Sir Tumu agreed that the relationship needed to be visible and tangible. They suggested placing a carved prow at Okurei Point and a carved stern at Tongariro.

**Resolution:**

**That the plans discussed by Sir Tumu Te Heuheu, Sir Toby Curtis and Mayor Steve Chadwick regarding the carvings Mai i Maketu ki Tongariro (prow carving at Okurei Point and stern carving at Tongariro) are supported by the Te Arawa Lakes Trust AGM.**

**Tony Wihapi / Te Wano Walters**

Reg Hodge and Robert Macfarlane asked that the Trust does not increase the lease costs of the residents at Little Waihi. Sir Toby noted that a subcommittee has been set up to work with the residents at Little Waihi and Maketu. Terry Tapsell advised that the Trustees and Directors are committed to working with the working party.

**Resolution:**

**That the Te Arawa Management Limited Report be received and accepted.**

**Richard Jones / Tony Wihapi**

## **8. TE KOMITI WHAKAHAERE REPORT – LAURANCE TAMATI**

Raina Meha asked who is assisting the Komiti Whakahaere work programme and Laurance advised that there has been technical assistance and guidance provided by Hera Smith, Tracey Kingi, Roku Mihinui and Tamara Mutu.

Laurance advised that he was successful in gaining a seat on the Eastern Region Fish and Game Council and the AGM attendees agreed that this was a very strategic seat for Te Arawa to have.

Tony Wihapi noted that trout and salmon farming was raised by the Prime Minister and Minister Joyce, recently. There is a potential economic return and Fish and Game may already be in discussions about this. Sir Toby suggested that Tony take a lead in finding out further information and bring it back to Te Arawa and Laurance.

Tony Pecotic asked about trout and how it conflicts with TALT's mandate to manage and sustain the stock of inanga, as trout prey on our taonga species. Laurance asked Tony to contact him regarding this kaupapa.

**Resolution:****That the Te Komiti Whakahaere Report be received and accepted.****Laurance Tamati / Tony Wihapi****9. FINANCIAL REPORT – GLENN HAWKINS**

Discussion from the floor included the dividend back to TALT from TAML, grants received by the Trust from MSD and TPK, project funding, management fees, the Education and Training Unit.

**Resolution:****That the Te Arawa Lakes Trust Financial Report be received and accepted.****Tony Wihapi / Raina Meha****10. TALT ORGANISATIONAL REVIEW UPDATE – SIR TOBY CURTIS**

Sir Toby commented that the organisational review focused on the commercial side of TALT and the Trust's approach to doing business.

**11. RESOLUTION TO**

- **APPROVE APPOINTMENTS OF AUDITOR**

**Resolution:****That Cookson Forbes & Associates are approved as Auditor for****Te Arawa Lakes Trust****Sir Toby Curtis / Geoff Rice****12. GENERAL BUSINESS**

Leith Comer is concerned Ngati Rangitahi does not have representation on the TALT Board. He has no issue with the quality of those elected to the TALT Board but wants Rangitahi at the table. Tipene Marr advised that this is not about sour grapes on his part and he is satisfied that a proper process was followed regarding the election. Raina Meha asked if Leith was questioning the framework for the process of the elections for TALT or perhaps the number of registered Ngati Rangitahi voters is not a high enough level? Leith advised that this review has been requested by Ngati Rangitahi because there are concerns about the structure of the Board.

**Resolution:****That the Te Arawa Lakes Trust Annual General Meeting 2015 accepts the request from Ngati Rangitahi to:****1) Review the election process****2) That the review takes place before the next election process in 2018****3) That Te Mana o Ngati Rangitahi is consulted regarding the review****Leith Comer / Sir Toby Curtis****13. INTRODUCTION OF NEW TRUSTEES**

New trustees - Zalene Douglas, Raina Meha, Denise Emery and Geoff Rolleston – introduced themselves.

**KARAKIA WHAKAMUTUNGA** – Tony Wihapi

The Te Arawa Lakes Trust AGM ended at 1.08pm



## Te Arawa Lakes Trust Trustees

### Te Kawatapuārangī Trustees



**Sir Toby Curtis** - Sir Toby has served on Te Arawa Lakes Trust since 2006, he is widely acknowledged for his innovative achievements in education. His cumulative expertise in Maori, polytechnic and university fields was achieved through his various roles as principal, lecturer, researcher, administrator and ultimately, as a senior academic in tertiary education. Toby is the inaugural Chairperson for Te Arawa Lakes Trust.



**Willie Emery** - Willie Emery has served on land trusts since 1983. He was elected by Ngāti Te Rangiunua to the Te Arawa Maori Trust Board in 1985 through to 2007 before being appointed to the current Te Arawa Lakes Trust. He is a past chairman of Te Runanga o Ngāti Pikiao, Te Papa Takaro o Te Arawa and Te Kotahitanga o Te Arawa Fisheries and has served on many other Ngāti Pikiao land trust and incorporations. In his spare time, Willie supports local sports, his mokopuna and mokopuna tuarua and everything politically and non-politically happening in the Ngāti Pikiao, Ngāti Rongomai and Ngāti Makino rohe. He says, he will always put himself forward to serve all to the best of his abilities within the efforts and environment of building team spirit, with honesty and integrity to whatever the kaupapa happens to be.



**Raina Meha** - Raina's career spans extensive central government policy experience after studying at Waikato University and Victoria University. Raina previously worked for Bay of Plenty Regional Council and understands the importance of tangata whenua participating in regulatory and decision-making processes. She believes water quality, collaboration and ancestral relationship of Te Arawa with the lakes is paramount in preserving and protecting our lakes for present and future generations.

### Tūhourangi Trustees



**Lana Ngawhika** - Lana's experience working for Te Arawa spans almost 20 years and began in an operational role with the Te Arawa Maori Trust Board. She is the current Deputy Chair of Te Arawa Lakes Trust, Chair of the Audit Finance & Risk committee, a member of the HR/Governance committee, and a director with the asset holding company Te Arawa Management Limited. Lana holds an MBA degree with Distinction and co-ordinates the Te Arawa Women on Boards coalition which encourages and supports our talented Te Arawa women to take on governance roles.



**Denise Emery** - Denise currently sits on the executive team of Te Puia | NZ Maori Arts and Crafts Institute, as the Human Resources/Health and Safety Manager. She is also the tangata whenua representative of the Grievance Panel at Te Maioha o Parekarangi Youth Justice Facility, and is an active member of the Te Arawa Lakes Trust as Chair of both the Employment and Training Unit, and the HR/Governance committees. Denise is committed and proud of her role as a representative for Tūhourangi on the Te Arawa Lakes Trust. She understands that she does not walk alone in this journey, but carries with her, the legacy of her ancestors and her uri yet unborn, in every decision she makes around the Board table.



**Huru Maika** - Huru is currently the Tuhourangi Trustee on Te Kotahitangi o Te Arawa Waka Fisheries Trust Board. He has a passion for Tuhourangi and Whakarewarewa, listing his personal interests as waiata, kapa haka, raranga, whanau and whaikorero as well as supporting Tuhourangi paepae. Huru is a fulltime tour guide.

## Te Ure o Uenukukopako Trustees



**Terry Tapsell** - Terry is a Rotorua-based businessman with trans-Tasman interests in the construction industry across a range of sectors including geothermal, oil & gas, pulp & paper and dairy. With seven children and two mokopuna he has a vested interest in ensuring the long term viability of iwi entities. His specific areas of interest are economic growth, environmental sustainability and job-creation. Terry is a hunter and fisherman and has first-hand knowledge of the lakes and land under the kaitiakitanga of the Trust Board. Terry has 11 years' experience on the Te Arawa Lakes Trust and is a director of Te Arawa Management Limited. He has been a

member of the Komiti Whakahaere since its inception (taking care of Taonga Species ie koura, inanga, tuna etc) and is leading the Whakapoukorero Wetlands Project at Maketu.



**Geoff Rolleston** – Geoff brings a strong commercial and management experience to the table. Having spent the majority of his working career in private enterprise associated with the timber and agri-business industries, he has accumulated invaluable experience in sales, marketing, negotiation and dispute resolution. With reference to the business of Te Arawa Lakes Trust, I offer my experience and networks to help create a more vibrant and commercial existence for our iwi, over and above just being recognised as kaitiaki and administrators for all our taonga. I am keen to support the current vision and strategy to drive the organisation to a whole new level in terms of its financial and operational objectives. I am fully supportive of the

initiatives that are currently being investigated which, through prudent and skilful management, will significantly re-position the organisation over the next 5 years.



**Zalene Douglas** - Zalene believes that trustees have a duty to ensure that they adhere to the tenets of the trust deed and that we ensure that we do the right thing by our beneficiaries. In order to do that the relationships between the trustees, TAML, trust staff and our beneficiaries is important requiring open and positive communication. Education, health, access to justice and the maintenance of our culture are very important to me. Zalene worked for the District Court in Wellington for 20 years. Zalene now works for Rotorua District Community Law Centre as a lawyer and has for the past 11 years. Zalene completed a Diploma of Maori Governance and leadership with TWOA.

# Te Arawa Lakes Trust Meetings

## 1. Te Arawa Lakes Trust Board Meetings

The period 1 July 2015 to 30 June 2016, 10 x board meetings were held.

Name	Full Board Meeting
Sir Toby Curtis (Chair)	9/10
Lana Ngawhika (Deputy Chair March 2015)	10/10
Willie Emery (Deputy Chair up until February 2015)	8/10
Huru Maika	8/10
Terry Tapsell	9/10
Zalene Douglas	4/4
Denise Emery	4/4
Raina Meha	3/4
Geoff Rolleston	4/4
Collin Bennett	6/6
Kingi Biddle	6/6
Tiipene Marr	4/6

## 2. Board Subcommittees

The Board's subcommittees are named after the purposes for which the Trust is established to receive, manage and administer the Trust Fund on behalf of and for the benefit of the present and future members of Te Arawa in accordance with the Trust Deed.

Audit Finance & Risk Subcommittee (F&R) held 2 x meetings during the year. HR & Governance Subcommittee held 2 x meetings during the year. Employment and Training Subcommittee held x 1 meeting during the year.

Name	A F&R	HR & Governance	E&T	Other
Sir Toby Curtis (Chair)	1/2			100+
Lana Ngawhika (Deputy Chair)	2/2	2/2		10+
Willie Emery	2/2			20+
Huru Maika				2
Terry Tapsell				8
Zalene Douglas	1/2	1/2		1
Denise Emery		2/2	1/1	1
Raina Meha	1/2			1
Geoff Rolleston	1/2		1/1	1

## 3. Te Komiti Whakahaere (Te Arawa Lakes Fisheries Management Committee)

Te Komiti Whakahaere was established in accordance with the Te Arawa (Lakes Fisheries) Regulations 2006. The regulations apply to the fourteen lakes settled under the Te Arawa Lakes Settlement Act with the purpose of sustainably managing the five taonga species, namely koaro, tuna, inanga, kakahi and koura.

During the period 1 July 2015 to 30 June 2016, 8 x Komiti meetings were held and members met on the second Wednesday of each month.



Name	Komiti meetings
Laurance Tamati (Chair)	8/8
Ken Raureti (Deputy Chair)	7/8
Merehira Savage	5/8
John Waaka	4/8
Herby Ngawhika	2/8
John Ransfield	3/8
Terry Tapsell	7/8
Willie Emery	7/8
Huru Maika	7/8

#### 4. Te Arawa Lakes Trust Relationships

In accordance with the Lakes Settlement all existing relationships that the Te Arawa Maori Trust Board had, also transferred to the Lakes Trust entity. There are various formal and informal relationship agreements with government and non-government departments by way of Protocols, Memorandum of Understanding. Te Arawa Lakes Trust supports iwi initiatives which benefit all of Te Arawa and collaborative projects with key partners.

##### Rotorua Te Arawa Lakes Strategy Group

As part of the Te Arawa Lakes Settlement Act, Te Arawa is acknowledged with permanent membership in the Rotorua Te Arawa Lakes Strategy Group. This recognises the traditional, cultural and spiritual relationships with the Te Arawa Lakes. The membership consists of two representatives each from the Bay of Plenty Regional Council, Rotorua District Council and Te Arawa Lakes Trust. In accordance with the Lakes Settlement, the Trust's membership consists of the Chair and a senior executive member of the Trust. The members are Chair, Sir Toby Curtis and Deputy Chair, Willie Emery. Kingi Biddle was the alternate member.

##### Western Bay of Plenty District Council (WBOPDC) Maori Forum

The Maori forum advises council or its committees on issues pertaining to Maori. The Chairperson is the Trust's representative on this committee with the Deputy Chair the alternate member.

##### Bledisloe Park Board

The Chairperson and Willie Emery are the Trust's representatives on the board. Larissa Wharepoura was nominated by the Trust as the third representative to act on behalf of the Trust. The term for this board is three years.

##### Te Arawa Lakes Trust and Rotorua District Council MOU

The purpose of this memorandum of understanding is to ensure Te Arawa Lakes Trust is involved in any decisions or projects that affect the lakes, lakebeds and lake structures. Members are Her worship the Mayor, Deputy Mayor, Trust Chair, Trust Deputy Chair and Trust Chief Executive Officer.

##### Waka Taua Trust

The Te Arawa Waka Taua Trust was set up through the donations of three separate Maori land trusts and the Rotorua District Council to ensure the successful construction and completion of the Te Arawa waka. The Trust's role is to provide administrative support.

##### Formal Protocols

In accordance with the Lakes Settlement, the Trust has formal relationship protocols with Ministry for the Environment, Department of Conservation, Ministry of Culture and Heritage, Land Information New Zealand and Ministry for Primary Industries (previously Ministry of Fisheries).

## 5. Board Remuneration – Trustee Fees

The Trustees receive \$300.00 (gross) per meeting to attend full board meetings and subcommittee meetings.

Trustees who undertake duties on behalf of the Trust outside of board meetings are entitled to an hourly rate of \$100 (gross) per hour to a maximum of \$300.00 (gross).

The Chairman receives an honorarium of \$28,000 (gross) and the Deputy Chair receives an honorarium of \$16,000 (gross).

Chairpersons of subcommittees are capped at \$8,000 (gross) and all other Trustees are capped at \$7,500 (gross).

Board members are reimbursed for actual and reasonable expenses upon submission of an approved Board Travel and Expense Claim Form or Meeting Attendance Form. Fees and allowances are paid in accordance with the Te Arawa Lakes Board Remuneration Policy and Board Reimbursement of Expenses Policy.

## 6. Other meetings attended by the Trust

Other meetings attended by the Trust, but not limited to, are:

- Te Arawa Standing Committee Working Party
- Te Arawa/RDC Partnership Model
- Little Waihi / Maketu Working Party
- Freshwater Sciences Society
- Te Arawa Freshwater Fisheries Forum
- Regional Water Advisory Panel
- Lakes Programme Workstream Leaders
- Rotorua Te Arawa Lakes Partnership Steering Group
- Rotorua Te Arawa Lakes Strategy Group
- Iwi Leaders Forum
- Iwi Advisory Group – Freshwater
- Iwi Advisory Group – RMA
- Iwi Advisory Group – Conservation
- Iwi Advisory Group – LGNZ
- Iwi Chairs Forum
- Waiariki Institute of Technology
- Te Arawa Waka Taua Trust
- LERNZ – Governance Group and End User Group
- Lake Rotorua Catchment Stakeholder Advisory Group
- Lake Rotorua Recreation Forum
- Aquatic Pest Coordination Group
- Rotorua Wastewater Treatment Project Steering Group
- Rotoiti Rotoma Project Steering Group
- Te Arawa Primary Sector
- Lake Rotorua Catchment Stakeholder Advisory Group
- Te Roopu Manukura (University of Waikato)
- Ngati Rangiwewehi Koaro Restoration Project
- Lakes Structures Forum
- Protocols with DOC, MPI and MfE
- Lakes Water Quality Society 'Pest Weed and Wallaby Symposium



## Chairman's Report



### HE MIHI

Te tuatahi maaku hai mihi ki te hunga kua ngaro atu i te tirohanga tangata. Me kii, mai i te Te Rerenga Wairua, i Te Aupouri, tae rawaatu ki a Kaitahu i te Waipounamu, otira, huri mai ki a taatau ano – mai Maketu ki Tongariro – kua mihia raatau, kua tangihia raatau, kua poroporoakitia raatau. A kaati i te mea kua whiti atu raatau ki nga puke o Mataariki, ta taaua he tangi, ta taaua he haku, ta taaua he noho. Na reira, waiho raatau, te hunga wairua ki a raatau, taatau nga mahuetanga o raatau kua tau nei ki tua a taawauwau, kia kaha taatau ki a taatau.

Te mea tuarua, me mihi hoki ki woo taatau kaimahi, ki a Gareth raaua ko Roku me o raaua hoamahi. Na ta raatau pukumahi, kai te pai tonu te haere o nga mahi ki to taatau tari. Me mihi hoki ki wooku hoamema, i runga i to taatau Pooari. Tino kaha waa taatau waahine ki te whakakorikori i a maatau nga taane. Tino waimaria taatau. Te kokoi, te moohio, te matau. Ta raatau pai hoki, he tino kaha raatau ki te whakatakoto whakaaro me te hanga koorero. Koinei te aahua o te tokowhaa nei, he kakama, he pakari. Na te pai o nga mahi a Tere Tapsell, kua anga ki mua nga mahi o Whakaue ki Tai. Na toona ngakau nui, ko taatau katoa ka whiwhi. Haaunga ano maaua ko Willie, me Geoff raaua ko Huri. Ta maatau hai tautoko, hai whakatupato i weetahi waa. Ko te mea nui, kai te mahi maatau katoa, i runga i te whakaaro kotahi.

Me mihi hoki ki woo taatau komiti. Tetahi he tiaki putea, tetahi ano, he hanga ture mo waa taatau roto. Me mihi ki a Dr Tanira Kingi, te Tiamana o TAML, me Laurance Tamati, te Tiamana o te Komiti Whakahaere. He mahi uaua, te mahi o nga Komiti nei. Na raatau, i ngawari ake te tutuki o nga kaupapa, i taka mai ki te Pooari hai whakatatuu. E nga rangatira, kaare e mutu te whakatau o te mihi ki runga i a koutou katoa.

### Year in Review

I'm pleased to report that over the past year, the assets of Te Arawa Lakes Trust have grown by \$4.2m (14%) to \$33.7m. Although this is predominantly due to increases in the value of our land holdings, it also reflects some prudent investment decisions by our commercial company directors. The TAML directors have been careful to shift the emphasis away from the uncertainty of dairy farming to a more diversified portfolio. For example, we are pleased to be receiving income for the first time from our Gold kiwifruit orchard at Maketu. The returns from our first crop are already strong, so it has been well worth the wait. The company has laid a strong foundation for future investments and have some exciting projects under consideration.

The Board is also mindful that it is now ten years since our claim was settled and the Lakes Settlement Act was enacted. The objectives of that legislation continue to be our primary focus and drive all of our key initiatives around the lakes. We have continued to grow our other contract income and this makes a valuable contribution to reduce the overall overhead costs of the Trust. Within the Trust, we have been careful to manage and reduce our costs down wherever possible, without compromising the many important activities and services that we lead within Te Arawa.

### WEETAHI KAUPAPA HAI WHAKAAROTANGA MA TAATAU

#### Ngaa Mahi Pooti

E hoa maa, I think we left it too late, to encourage our people to register and vote. I don't think the Te Arawa voting return was that high. If we want to see more of our aspiring young people to do better next time, we need to start mobilising ourselves now. A kaati, Te Arawa, kia kaha taatau ki a taatau, Nga mihi ra ki a Trevor, Merepeka me Tania. Otira, i roo ra, te mea tamaiti o raatau, te nuinga o ngaa pooti. Teena ra waatu koe Taania.

## **Ta Taatau Reo**

### **Me tiimata taku korero peenei**

Ngati Whakaue, kai te mihi atu ki a koutou, mo ta koutou kakama, ki te whakatuu waananga mo koutou, Na teenei, kua maha waa koutou taane ki te whaikoorero; waa koutou waahine ki te karanga; otira, kua ngakaunui raatau katoa ki ngaa waiata, ngaa pakiwaitara tae atu ki nga whakapapa. Me te moohio anoo, kua whakatungia he whare maatauranga mo koutou, hai ako i waa koutou tamariki. Nga mihi ra Ngati Whakaue mo teenei mahi pakari. Kia kaha koutou ki a taatau.

Kai te whakaaro ake weetahi o maatau, me haere ki waa taatau kuratuatahi katoa o Rotorua, ki te kohete ia raatau, me ako ta taatau reo ki ngaa tamariki katoa. Me ako hoki raatau, i ngaa korero e paa ana ki a taatau i mua i te taenga mai o te Pakeha; me nga koorero hoki e paa ana ki ngaa pakanga ki Aotearoa nei i waenga te Paakeha me te Maaori.

Anei tetahi moemoea: By the year 2025, 100% of all Te Arawa adults will be able to understand te reo and speak it at a reasonable level.

### **A kaati. He aha hoki ra, waa koutou whakaaro?**

#### **He Raruraru Pea Hai Tirohanga Ma Taatou**

Several weeks ago I was invited to attend a hui with all our Secondary and Intermediate Principals, to discuss the disengagement of Maori pupils from education. Every day, 57% of Maori students, from age 10 to 15 year olds, are absent from school. Kaare e kore ko te nuinga, na taatau no Te Arawa. A teena, he aha anoo woou whakaaro?

#### **He Pukapuka Kupu Mo Te Arawa**

I am strongly of the view that it's time Te Arawa produced its own dictionary coupled with our whakatauki. Kua tohia ko Rangitihi, ko Scotty me Anaha hai tiimata teenei mahi mo taatau.

A kaati pea. Kua rahi weenei tuu momo korero ki a taatau mo teenei tau. Kia kaha ra taatau ki a taatau.

**Dr Sir Taamihana (Toby) Curtis**  
**Chairman**  
**Te Arawa Lakes Trust**

# TAML Chairman's Report



## Tēnā tātou Te Arawa whānui

It is my privilege to present the 2016 Te Arawa Management Ltd (TAML) Annual Report on behalf of the Board of Directors.

### GENERAL COMMENTS

2016 has been a year that saw a number of significant changes to the TAML board and operating structure. In November 2015 the TALT and TAML organisational review resulted in the employment of Gareth Jones with a joint CEO role of TALT and TAML.

Gareth brought with him a diverse range of commercial skills and expertise that he has applied to TAML with enthusiasm and energy. His perspective on exploring alternative investments developed quickly into business venture opportunities that TAML has undertaken to provide assessments and recommendations to the TALT trustees for further consideration.

There were also a number of governance changes. Between December 2015 and April 2016 my fellow directors Richard Jones, Claire McGowan and Hemi Rolleston resigned from the TAML board. Terry Tapsell was appointed to the board in April 2016 joining Lana Ngawhika as the TALT trustee representatives. I was appointed chair April 2016 and in the following month two additional independent director appointments were made: Karen Vercoe (chair of Te Pumautanga o Te Arawa) and Mana Newton (partner with Deloitte). Their combined commercial experience has provided a considerable increase in the Board's capability.

While these changes to the Board governance structure were challenging, they however, have not detracted from the responsibility that the Board has to manage and grow the Trust's assets. These assets now include the potential development of new commercial property investments in Rotorua and Maketu, along with the continued management and development of TAML's current asset portfolio.

### RESIDENTIAL AND COMMERCIAL PROPERTIES

Income from our residential properties increased from \$372,397 in 2015 to \$397,628 in 2016. Commercial rental revenues increased by 86% from \$61,739 to \$115,006 and residential rentals saw an increase of 14% from \$248,685 to \$282,622 in 2016.

The residential properties growth have been in rental increases in the ground rental and residential tenancies which are now mostly at market levels. The increase in invoiced rentals compared with 2015 once the full level of increase for the Lyndhurst Ave properties takes effect will be in the vicinity of 21 %. Over this same period property operating expenses have remained at similar levels

**Rental Arrears:** There are many challenges with the TAML property portfolio that TAML and our property consultant Joanne McCracken (APL) deal with on a regular basis. Rental arrears is one of those challenges. The APL team with the help of TALT trustees have managed to keep balances reducing while taking into account that some of the lessees are Te Arawa descendants. There are some entrenched arrears that have been progressed and we will work closely with the tenants to arrive at a satisfactory outcome.

**Rental Reviews:** A TALT & TAML subcommittee (or management tenant representative group) was established two years ago by the previous chair Richard Jones to work through the difficult issue of rental reviews. This subcommittee has provided a forum for tenants to discuss their concerns and for recommendations to be made to TAML. Rentals were assessed by comparison to other leased sections (including Maori land tenure blocks). This methodology is endorsed by the Māori Land Court. While the leases do not provide for a right of reply or negotiation, management and the tenant representative group have come to an arrangement for the setting of the rental levels and the spreading of rental increases over 2 years. Once the full increase has been invoiced next year the rental level will not alter until the lease expiry in 2023.

**Estuary Properties:** Meetings have been held with the Western Bay of Plenty District Council to work through issues that affect the residential properties and reserves along the water front.

Confirmation has been provided to the licensees along the Little Waihi estuary that they have occupation available until 2023. This brings both licence and lease dates into alignment.

**Other Leases and Commercial Properties:** A lease has been signed with Te Runanga o Ngati Whakaue ki Maketu for the site at 15 Little Waihi Road; and a licence issued allowing the erection of a radio mast on the Te Arawa farm. Full earthquake assessments of both Haupapa and Pukuatua Street properties have been completed providing more information on the future liability of upgrade requirements.

## KIWIFRUIT

The first crop of Gold (G3) was harvested in April 2016 with yields far exceeding expectations. An average first crop is around 8,000 trays per hectare. The Okurei Orchard averaged 12,385 per hectare (an increase of almost 55% on the average).

Net returns to June 30 were \$33,329 however, the total revenue from the 2016 crop is expected to be \$402,000 to June 2017. Returns from the majority of the 2016 crop will be realised in the 2017 year. Our orchard manager Homman Tapsell has done an excellent job of managing the orchard and reducing costs where appropriate to underpin the excellent financial 2016 result.

The decision to diversify into kiwifruit has proven to be a sound investment and we are confident with future prospects for the industry. While the licence for G3 was considered high in 2013 at around \$75,000 per hectare; the current price in 2016 is well over \$200,000 per hectare. TAML has been able to capture very good value from purchasing the 3 hectare licence. Gold is far more profitable than the green variety with higher production and returns per tray.

An additional factor that has worked in our favour is the location of the orchard at Maketu. We qualify for the Kiwistart premium where the crop is harvested early. This results in additional premiums, and harvesting at a time when harvest pressures are lower. As the trees mature and with climate change impacts over time we do not know if the orchard will continue to be an “early orchard” in future years but we will continue to capture these additional premiums for as long as possible.





## ARAWA AND OKUREI DAIRY FARMS

The dairy sector continues to face the challenge of low milk solid payouts due to falling demand in our international markets. The low farm gate milk price of \$3.90/kg MS at the start of the season resulted in the management team and sharemilkers reducing farm expenses across the board in an effort to maintain profitability. These cost reductions were carefully managed to avoid impacting on the future productivity or profitability of both farm operations. Farm expenses decreased from \$1.80/kg MS in the 2015 year to \$1.56/kg MS in the 2016 year and capital expenditure was also reduced.

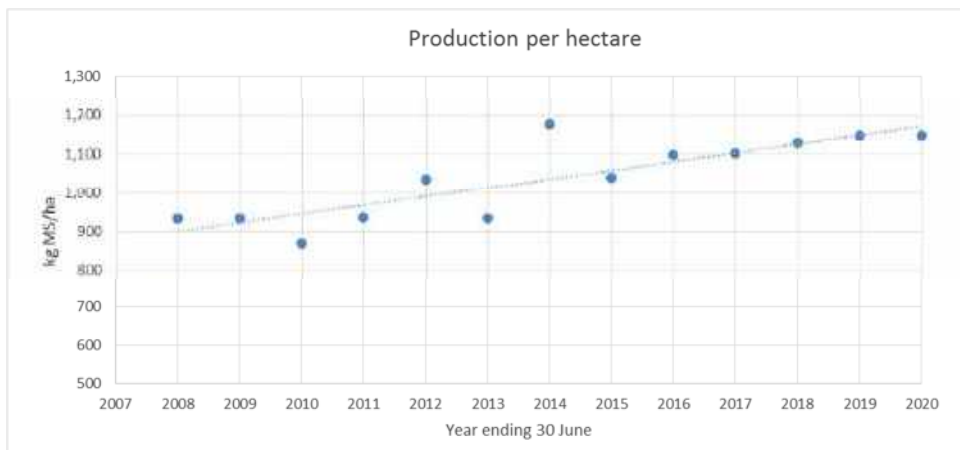
Total MS (milk solids) production increased from 303,745kg MS (1,040kg MS/ha) in the 2015 year to 320,558kg MS (1,098kg MS/ha) in the 2016 year (an increase of 6%). However, the Fonterra milk price decreased from \$4.40 to \$3.90/kg MS over the same period. The deferred payment model used by Fonterra resulted in higher deferred payments from the 2014 year (\$8.40/kg MS) falling into the 2015 financial year. The effective cash milk price was \$5.60/kg MS in the 2015 financial year and \$3.48/kg MS in the 2016 financial year.



### Farm Performance

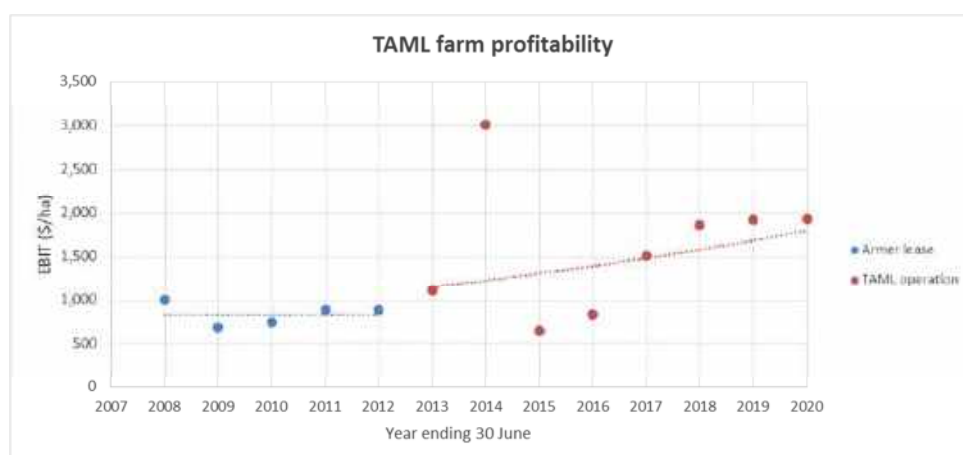
Our sharemilkers (Richard Fowler and Matt Standen) along with our farm advisors (Lee Matheson and Duncan Walker from PerrinAg) have continued to lift the performance of the farms since TAML took over the farm out of a long-term lease in 2012.

Previous production averaged (between the last 5 years of the lease i.e. 2008 and 2012) 289,802kg MS. Under the current management system advised by PerrinAg (2013-2017) the annual production has averaged 313,698kg MS (Figure 1).



**Figure 1. TAML actual and projected production per hectare (as at Nov 2016)**

Farm profitability has also increased from an average net profit before tax of \$257,271 through to \$416,034 under the current management system (Figure 2).



**Figure 2. TAML actual and projected farm profitability (milk priced based on accrual accounting).**

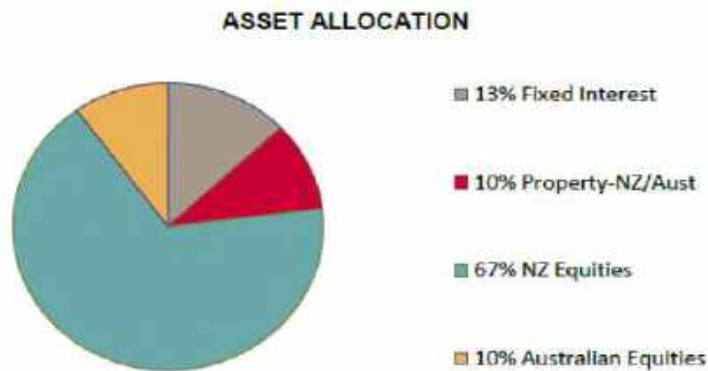
## FINANCE PORTFOLIO

The TAML finance portfolio has continued to achieve the Board's expected outcomes of income and growth over time, and it provided a total return of 16.99% for the 12 months to 30 June 2016. A summary of the performance includes:

NZ & Australian Equities 22.09%

Foreign exchange loss (-1.12%) due to falling NZD against the AUD

This performance compares well with NZX Gross Index of +20.4%, and Australian All Accum Index of (-6.5%) for the year. The forecast gross income yield from the portfolio is 5.74% pa, which indicates the portfolio is providing a high level of dividend income. The portfolio is well diversified primarily amongst strong dividend paying companies in NZ, with some exposure to Australian listed companies.



**Figure 3. TAML financial portfolio as of June 30 2016**

**Outlook:** Low interest rates have been a feature of the 2016 year but the TAML directors along with our advisor Tom Davies (Craigs Investment Partners) believe that we are at the bottom of the low interest rate cycle and markets are expecting interest rates to start rising when we look toward 2017. The Reserve Bank of NZ has indicated that they expect inflation to be near 2% by the end of 2017. The subsequent rise in interest rates will have a material impact on investments that are valued based on their income yield. TAML's equity investments are dominated by high income yield shares, of which some are low growth.

Since June 30 we have recommended reducing our exposure to the lower growth/high yield companies. This means that we will look at buying into companies that are orientated toward earnings and profit growth, rather than income yield. We also believe that markets were overvalued, and we have made the decision to invest in assets that are not correlated to sharemarkets. This has included buying Gold (for long term security and inflation protection), and the Salt Long Short Fund (which makes a return in good and bad times through trading).

These strategies will provide greater protection to the TAML portfolio, in the long term by investing in companies that are growing, and in the short term by investing in assets that perform well when equity markets do not.

### ASSET DIVERSIFICATION

TAML directors have been considering a number of diversification strategies on the Okurei dairy farm along with better utilization of our commercial property assets in Rotorua. While the lower dairy MS price and increasing demand for residential properties have influenced TAML's decision to explore alternative options it is also good governance for directors to continuously assess the performance of their assets to ensure that the returns meet the expectation of our parent entity, TALT.

I would like to thank my fellow directors, Lana Ngawhika, Terry Tapsell, Karen Vercoe and Mana Newton for their continued support and contributions that they have made over the past year. I would also like to acknowledge the Te Arawa Lakes Trust management team and Glenn Hawkins (GHA), Lee Matheson and Duncan Walker (PerrinAg), Joanne McCracken (APL), Barry Penellum and Homman Tapsell (SEEKA), Richard Fowler (Arawa Farm) and Matt Standish (Okurei Farm).

And finally, to Richard Jones, Claire McGowan and Hemi Rolleston for their hard work, perseverance and commitment that they put into shaping the direction of TAML. The platform that they helped lay will provide a solid foundation for the future growth of TAML.

Noho ora mai, na

**Tanira Kingi**  
**Chairman**  
**Te Arawa Management Limited**

# Te Komiti Whakahaere Chairman's Report



**Tena koutou katoa,**

It is my privilege to report on the collective efforts and work of Te Komiti Whakahaere (Te Arawa Freshwater Fisheries Management Committee) for the year ended 30 July 2016.

Te Komiti Whakahaere (the Komiti) was established under the Te Arawa Lakes (Fisheries) Regulations 2006. Our key focus this year was on the completion of the mahire whakahaere (Fisheries Management Plan) and bylaws. The mahire whakahaere (the mahire) aims to work towards the vision where Te Arawa taonga fishery is healthy, plentiful, sustainably managed, and Te Arawa have undisturbed possession and access to Te Arawa taonga fishery, mo ake, tonu atu.

To achieve this vision, the mahire sets out methods to work towards objectives of sustainable customary fisheries, information gathering to support activities, promotion of customary fishing, supporting fisheries habitats and the safe consumption of fish. The bylaws set careful restrictions on the size, quantity and methods for harvesting taonga species and enable restrictions or prohibitions to be made to protect those species, for example by limiting the quantity or size of the species that may be harvested. Taonga species includes: koaro, koura, tuna, kakahi, inanga and morihana.

Last year I reported that the komiti had worked tirelessly since October 2014 to address the Ministry of Primary Industries (MPI and the Ministry) concerns regarding the proposed bylaw that restricts the fishing of taonga species to Te Arawa only. It is pleasing to report that we have addressed this issue to MPI's satisfaction and the mahire and bylaws were finalised and approved by the TALT Board in August 2016. The bylaws were subsequently lodged with MPI in early September 2016. The Ministry is now required to formally "publicly notify" the consultation process. We were hopeful that this would occur before Christmas but it is becoming increasingly clear that this probably won't happen until the New Year. Once the consultation process has been publicly notified copies of the bylaws will be made available for Te Arawa and the wider public to view. There is also an opportunity for submissions to be made within the consultation process. We encourage Te Arawa to make submissions in support of the bylaws.

We are grateful to all those who participated in the Iwi engagement hui in 2010, 2013 and more recently in August 2016. Feedback from these hui provided the benchmark to guide our work and enabled our freshwater fisheries management activities to be grounded in Te Arawa tikanga and kawa, guided by matauranga-a-iwi and reflect the objectives of Te Arawa. In developing the mahire and bylaws we have also drawn on Te Arawa matauranga and research, science and peer reviews from various sources such as ex-komiti member Ian Kusabs, NIWA and Waikato University.

In closing, I would like to thank management and staff, past & present for their valued support and input into the work of the komiti over the past year. Finally, I would like to thank the members of the Komiti for their continued commitment and contribution. I look forward to working with you on the next phase of our journey.

Nāku noa, nā

**Laurance Tamati**  
**Chairman**  
**Te Komiti Whakahaere**



# Tumu Rautaki Report

## *Kia eke ki nga Taumata o Matariki*

**Paetata  
Tuatahi**

**1**

***Ka rongo te ao i te mana o Te Arawa  
The authority of Te Arawa is readily recognised  
by all***

The Lakes Trust is directly involved in all aspects of lakes water quality work and it has been a real challenge to attend and participate in all the respective engagements to ensure the mana and rangatiratanga of Te Arawa is acknowledged and given effect to.

### **WATER OWNERSHIP CLAIM NO. 1875**

Although the Trust lodged the above claim for the ownership of water in our lakes rivers waterways and aquifers, they have opted for and continue to be involved in the direct engagement with the government on Iwi rights and interests in freshwater rather than pursue it through the Treaty claims process.

### **IWI RIGHTS & INTERESTS IN FRESHWATER**

The Lakes Trust is part of a collective of Iwi leaders/representatives who engage in direct negotiations with the Crown on freshwater.

This is with those ministers who hold the relevant portfolios associated with this work; Minister Smith for the Environment; Minister Bridges for Primary Industry; Deputy Prime Minister English for Finances; Minister Finlayson for Treaty Settlements; and Minister Flavell for Ministry of Maori Development.

They are supported by a group of advisors who work directly with senior officials on matters as prescribed by leaders/ministers that to a greater extent informs on-going discussions between the principals.

Over the past twelve months this has focused on the freshwater reforms including the National Policy Statement on Freshwater (NPS-FM); National Objectives Framework (NOF) including Te Mana o Te Wai; and the Resource Legislation Amendment Bill (RLAB).

The most important and contentious matter is Allocation and the government has pushed this out to mid-2017 with possible policy recommendations available by the end of 2017 or early 2018, noting that this will run into the national elections.

### **LAND & WATER FORUM (LAWF)**

In 2008 the Land and Water Forum (LAWF) was established comprising 64 representatives from a range of primary industry groups, environmental and recreational NGOs, Iwi and other organisations with an interest in freshwater and land management.

They were tasked with looking at how freshwater was being used and managed and provide advice to the government on how this should/could be done better.

The LAWF have completed three reports over the intervening years and continue to meet review and assess whether their recommendations have been adopted or had regard for in the proposed freshwater and RMA reforms.

Over the past year there have been changes in LAWF leadership, with the departure of the chair Alastair Bisley and the appointment of a new chair, Hugh Logan.

This coincided with a full formal review of LAWF itself and the question was asked of members if it was worth continuing this stakeholder engagement.

The members agreed to continue as a collective with invites sent to other stakeholders to participate in the next strand of work relating to three deliverables next year; reviewing the implementation of the NPS-FM, the future of the NOF, and a review of the wider water management system in New Zealand

### **LGNZ ENGAGEMENT**

In 2012 at Hopuhopu the Iwi Chairs Forum signed an agreement with LGNZ to explore how they could develop better working relationships.

Progress has been slow in the past twelve months due to local body elections and the new committee will not be appointed until February 2017. However of interest is the appointment of Doug Leeder (Chairman, Bay of Plenty Regional Council) to chair of the LGNZ regional committee.

## LAKE OKARO

One of the outstanding matters of the Te Arawa Lakes settlement has been the return of Lake Okaro from the Rotorua Lakes Council to Te Arawa.

Late last year formal notification from both the Lakes Trust and RLC was sent to Office of Treaty Settlement who have initiated the final legal and parliamentary processes to vest the ownership of the lakebed in the Lakes Trust.

They have indicated this should be completed by mid-2017.

## TE TŪĀPAPA O NGĀ WAI O TE ARAWA - TE ARAWA CULTURAL VALUES FRAMEWORK

Last year a presentation was made on the Tuapapa and to recap the Te Arawa Lakes Trust in conjunction with Te Arawa has developed a Te Arawa Values Framework which seeks to:

- ▶ Give effect to our kaitiakitanga and tino rangatiratanga on the Rotorua Te Arawa Lakes
- ▶ Articulate Te Arawa values so they can be conveyed and applied within a local government context
- ▶ Incorporate Te Arawa values into TALT processes and programmes
- ▶ Incorporate Te Arawa values into the Lakes Programme (eg. processes, programmes, meetings)
- ▶ Increase participation of Te Arawa hapu and iwi in the Lakes Programme

The next phase of the work was to engage with Te Arawa to identify areas of cultural significance and map those accordingly. This information will be used to assess/vet applications for activities on the lakes that will then inform the decision to approve or not.

As part of this project we have a joint project with Ministry for the Environment that includes training of our Rangatahi in water quality monitoring and then uploading the information into a data management system to be used complimentary/additional to the cultural mapping.

## REGIONAL WATER ADVISORY PANEL

This group was formed in 2014 and their purpose is:

"To provide advice and recommendations to BOPRC on regional issues associated with the implementation of the National Policy Statement for Freshwater Management (NPS)".

The membership is very similar to LAWF albeit at a regional level with Iwi representation from throughout the wider BOP.

Specific catchments have been identified and Catchment Committees have been set up to provide feedback/recommendations to the full Panel on what might be the best/more practical solutions for addressing water quality in that catchment.

<p><b>Paetata Tuatahi</b> <b>2</b></p>	<p><i><b>Te mā o te wai e rite ana kia kite i nga tapuwae ā te koura</b></i></p> <p><i><b>The quality of the water is such that you can see the footsteps of the koura</b></i></p>
--------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## ROTORUA TE ARAWA LAKES STRATEGY GROUP (RTALSG)

Sir Toby is in his third year as chair of this Group that also includes BOP Regional Council and Rotorua Lakes Council.

The RTALSG meets quarterly to receive and make decisions on reports from the committees that have been established to carry out the various mitigation options to address water quality issues.

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## ROTORUA/TE ARAWA LAKES MANAGEMENT PLANS

At the outset of this work the lakes were prioritised in order of the worst quality and specific management plans were to be constructed for each lake.

This also involved identifying other areas of work both additional to and complimentary of addressing the water quality such as lake weed management; land use management options; wastewater treatment; pest control; biosecurity; resource consents to name a few.

Structures have been put in place to manage this significant cross section of activities from high level strategy to on the ground technical application, and for Te Arawa to be proactively engaged at all levels is a huge challenge.

Nāku noa, nā

**Roku Mihinui**

**Tumu Rauāki Taiao**

## Highlights of the Trust – Matariki Koeke Ball 2016









## Highlights of the Trust – Education & Training Unit



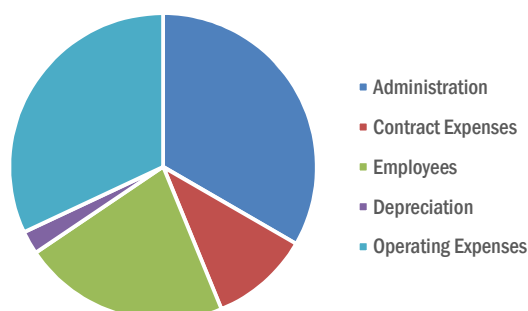
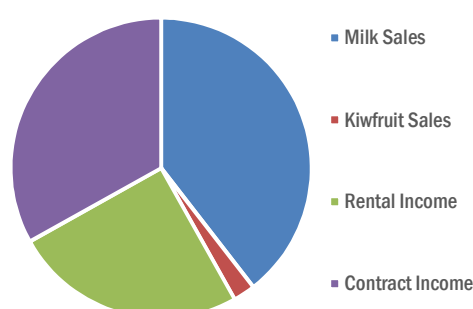
# Financial Report 2016

## New reporting standards

This year, Te Arawa Lakes Trust transitioned to new financial reporting standards which are now compulsory. The Trust now prepares its financial statements using the Tier 2 Not-For-Profit Public Benefit Entity Accounting Standards taking advantage of reduced disclosure concessions. To ensure consistency, the comparative numbers for the 2015 year which were reported last year have also been restated to match the new requirements. As a result of this change in reporting standards, the financial reports presented in this report look quite different to previous years. The main reports are summarised with more detailed information included in Notes at the back of the report. Although the layout of the financial statements is different, it was important to ensure that the information remains informative. The financial statements are Group accounts and include both the Trust and its commercial subsidiary company, Te Arawa Management Limited.

## Income

For the year ended 30 June 2016, the Group had total income of \$1,492,662. This is down 21% on last year's result (\$1,878,433). While rental income has increased by 14%, it has been offset by a 34% reduction in milk income received and a 30% reduction in contract income compared to last year.



## Expenses

Total expenses for the year were \$2,272,191. This is a slight decrease (less than 1%) compared to last year (\$2,280,989).

Cost savings were achieved during the current year in employee related costs (5% decrease) and contract expenses (15% decrease). Operating expenses however increased by 8% due to increases in orchard expenses and rates.

## Other Items

Other Items includes the revaluation of the biological assets (kiwifruit orchard) and investment properties to fair value as well as finance income (which now includes interest and dividends received). For the year ended 30 June 2016, the Group had total other items of \$3,551,043. This is a substantial increase of 164% with the major difference is an increase in the value of the Group's investment properties of \$2,943,531 during the past year.

FINANCIAL PERFORMANCE		
	2016	2015
Total Revenue	1,492,662	1,878,433
Total Expenses	(2,272,191)	(2,280,989)
Deficit before other items	(769,579)	(402,556)
Financial Income	502,666	445,346
Biological	104,846	-
Revaluation of property	2,943,531	897,679
Revaluation of financial assets	1,050,679	(1,675)
Total Comprehensive Revenue and Expenses	<b>3,832,143</b>	<b>938,793</b>

## Total Comprehensive Revenue and Expense

The net surplus for the year is \$2,781,464, which is \$1,840,996 or 196% higher than last year (\$940,468).

A new income classification called Other Comprehensive Revenue and Expense was also introduced this year in line with the requirements of the new financial reporting standards. The category includes the growth (or drop) in the value of the investments. In the past year, there was an increase in the value of the portfolios of \$1,050,679 (last year: \$1,675). This increase provides the total other comprehensive revenue or expense for the year.

The total other comprehensive revenue or expense for the year of \$1,050,679 is then added to the surplus for the year of \$2,781,464 to provide total comprehensive revenue and expense for the year of \$3,832,143. This is compared to last year's result of \$938,793. The significant increases in the value of the investment properties and the investment portfolios has boosted this year's result.

## Balance Sheet

The Group's current assets consist of bank funds, debtors, prepayments and a GST refund. Non-current assets represents property, plant and equipment, investment properties, Craigs Investment Portfolio, kiwifruit orchard and licences. Total assets are up 14% from \$29.4m to \$33.7m.

Current liabilities include creditors, deferred contract and rental income, annual leave, bonuses and director's fees payable, and loans owing to Fonterra. There are no Non-current liabilities. Total liabilities are up 111% from \$0.3m to \$0.7m due to the capitalisation of the Bluehaven Lease income, which has been deferred to future periods, and the loan from Fonterra.

Overall, the value of the Group has increased by 13.2% to \$32.9m in the past year.

STATEMENT OF FINANCIAL POSITION		
	2016	2015
Current assets	3,696,829	6,250,179
Investment properties	21,196,309	18,221,078
Investment portfolio	7,976,156	4,257,254
Other non-current assets	789,485	704,408
	<b>33,658,779</b>	<b>29,432,920</b>
Creditors	217,015	163,077
Deferred revenue	349,258	131,616
Loan - Fonterra	118,461	-
Employee benefits	64,133	60,457
	<b>748,867</b>	<b>355,150</b>
<b>EQUITY</b>	<b>\$32,909,912</b>	<b>\$29,077,769</b>

## Cash Flow

The inclusion of the Statement of Cash Flows is now a mandatory requirement. The cash and cash equivalents at the end of the 2016 financial year are valued at \$3,353,708, a 44% reduction is the amount held at the end of 2015. This is mainly due to increased investment in the Craigs portfolios that provided better returns.

STATEMENT OF CASH FLOW		
	2016	2015
Cash and cash equivalents at beginning of year	6,038,002	5,770,918
Cash flows from operating activities	(432,508)	(139,794)
Cash flows from investing activities	(2,370,247)	406,878
Cash flows from financing activities	118,461	-
Net increase/ (decrease) in cash and cash equivalent's	(2,684,294)	267,084
<b>Cash and cash equivalent's year end</b>	<b>\$3,353,708</b>	<b>\$6,038,002</b>

**Glenn Hawkins**  
Chartered Accountant



## Audited Group Financial Statements

# **Te Arawa Lakes Trust Group**

**Financial Statements**

**For the year ended 30 June 2016**

**TABLE OF CONTENTS**

Independent Auditor's Report	2
Directory	4
Consolidated statement of comprehensive revenue and expense	6
Consolidated statement of changes in net assets/equity	7
Consolidated statement of financial position	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10

# COOKSON FORBES & ASSOCIATES

## CHARTERED ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

#### To the Trustees of Te Arawa Lakes Trust

#### Report on the Trust Group Financial Statements

We have audited the financial statements of the Te Arawa Lakes Trust Group for the year ended 30 June 2016 on pages 6 to 39. The group financial statements comprise the following entities:

**Te Arawa Lakes Trust – Parent Entity**

**Te Arawa Management Ltd – Wholly owned Subsidiary Entity**

and include the consolidated statement of financial position as at 30 June 2016 and the consolidated statements of comprehensive revenue and expense, changes in net assets/equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Trustees' Responsibility for the Financial Statements

The trustees are responsible for the preparation of these financial statements in accordance with international public sector accounting standards (IPSAS) "Not-For-Profit" public benefit entity reduced disclosure regime (NFP PBE RDR) and that give a true and fair view of the matters to which they relate, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.



## COOKSON FORBES & ASSOCIATES

### CHARTERED ACCOUNTANTS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


#### Independence

Other than in our capacity as auditor we have no other relationship with or interest in Te Arawa Lakes Trust nor Te Arawa Management Ltd who make up the Group.

#### Opinion

In our opinion the group financial statements of Te Arawa Lakes Trust Group on pages 6 to 39 for the year ended 30 June 2016:

- Comply with IPSAS and PBE-NFP-RDR reporting framework; and
- Give a true and fair view of the financial position of the trust as at 30 June 2016 and of its financial performance and cash flows for the year ended on that date.
- Have been audited in accordance with the Trust Deed.



Chartered Accountants  
96 Waioweka Road,  
OPOTIKI

7<sup>th</sup> November 2016

**Te Arawa Lakes Trust****Directory****As at 30 June 2016****Trustees**

Te Kawatapuārangī	Sir Noble Curtis (Chairman) William Emery Raina Meha-Rangitauira
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Tuhourangi	Huru Maika Denise Emery Lana Ngawhika
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Te Ure O Uenukukopako	Terry Tapsell Geoff Rolleston Zalene Douglas
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Address	1194 Haupapa Street Rotorua
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Accountants	GHA Chartered Accountants P O Box 1712 Rotorua
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Bankers	Westpac P O Box 1341 Rotorua
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Solicitor	East Brewster Limited P O Box 1742 Rotorua
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Kahui Legal P O Box 1654 Wellington
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Auditor	Cookson Forbes & Associates Chartered Accountants P O Box 541 Opotiki
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Charities Services Registration	CC43131
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**Te Arawa Management Limited****Directory****As at 30 June 2016**

Company Number	1862236
Directors	<p>Tanira Kingi (Chairman)</p> <p>Lana Ngawhika</p> <p>Claire McGowan (resigned January 2016)</p> <p>Richard Jones (resigned March 2016)</p> <p>Hemi Rolleston (resigned June 2016)</p> <p>Terry Tapsell (appointed April 2016)</p> <p>Karen Vercoe (appointed June 2016)</p> <p>Mana Newton (appointed June 2016)</p>
Registered Office	<p>1194 Haupapa Street</p> <p>Rotorua</p>
Charities Services Registration	CC43132
Bankers	<p>Westpac</p> <p>Cnr Hinemoa &amp; Tutanekai Streets</p> <p>Rotorua</p> <p>Bank of New Zealand</p> <p>1176 Amohau Street</p> <p>Rotorua</p> <p>ASB Bank</p> <p>Cnr Pukuatua &amp; Tutanekai Streets</p> <p>Rotorua</p>
Date of Formation	2 October 2006
Shareholders	<p>Noble Curtis &amp; Watu Mihinui Jointly in Trust 24,554,233 shares</p> <p>As nominees by way of deed of appointment dated 14 February 2008 on behalf of Te Arawa Lakes Trust</p>
Shares	24,554,233 Ordinary shares



**Te Arawa Lakes Trust Group****Consolidated Statement of Comprehensive Revenue and Expense****For the Year Ended 30 June 2016**

	Note	2016	2015
		\$	\$ Restated
Revenue	7	1,414,044	1,827,706
Other Revenue	8	78,618	50,727
<b>Total revenue</b>		<b>1,492,662</b>	<b>1,878,433</b>
Administration	9	757,905	756,462
Depreciation	21	55,776	49,525
Employee related costs	10	494,649	523,236
Provision of contract services	11	237,309	279,782
Operating expenses	12	726,552	671,984
<b>Total expenses</b>		<b>2,272,191</b>	<b>2,280,989</b>
<b>Deficit before other items</b>		<b>(769,579)</b>	<b>(402,556)</b>
Finance income	13	502,666	445,346
Gain from changes arising in fair value less costs to sell biological assets	27	104,846	-
Gain on revaluation of investment property	20	2,943,531	897,679
<b>Other items</b>		<b>3,551,043</b>	<b>1,343,025</b>
<b>Surplus for the year</b>		<b>2,781,464</b>	<b>940,468</b>
<b>Other comprehensive revenue and expense</b>			
Gain on revaluation of available-for-sale financial assets	18	1,050,679	(1,675)
<b>Other comprehensive revenue and expense for the year</b>		<b>1,050,679</b>	<b>(1,675)</b>
<b>Total comprehensive revenue and expense for the year</b>		<b>3,832,143</b>	<b>938,793</b>
<b>Surplus attributable to:</b>			
Owners of the controlling entity		2,781,464	940,468
<b>Total comprehensive revenue and expense attributable to:</b>			
Owners of the controlling entity		1,050,679	(1,675)

The above statements should be read in conjunction with the notes to and forming part of the financial statements.

**Te Arawa Lakes Trust Group**  
**Consolidated Statement of Changes in Net Assets/Equity**  
**For the Year Ended 30 June 2016**

	Note	Available-for- sale fair value reserve	Revaluation reserve	Accumulated revenue and expense	Total
		\$	\$	\$	\$
Balance as at 1 July 2014 (previously reported)		-	2,361,556	25,463,749	27,825,305
Transition adjustment	6	582,911	(2,361,556)	2,092,315	313,670
<b>Restated balance as at 1 July 2014</b>		<b>582,911</b>	<b>-</b>	<b>27,556,064</b>	<b>28,138,975</b>
Total comprehensive income for the year		(1,675)	-	940,468	938,793
<b>Restated balance as at 30 June 2015</b>		<b>581,236</b>	<b>-</b>	<b>28,496,532</b>	<b>29,077,768</b>
<b>Restated balance as at 1 July 2015</b>		<b>581,236</b>	<b>-</b>	<b>28,496,532</b>	<b>29,077,768</b>
Total comprehensive income for the year		1,050,679	-	2,781,464	3,832,143
<b>Balance as at 30 June 2016</b>		<b>1,631,915</b>	<b>-</b>	<b>31,277,997</b>	<b>32,909,912</b>

The above statements should be read in conjunction with the notes to and forming part of the financial statements.



**Te Arawa Lakes Trust Group****Consolidated Statement of Financial Position****As at 30 June 2016**

	Note	2016 \$	2015 \$ Restated
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	3,353,708	6,038,002
Receivables (from exchange transactions)	15	195,946	169,574
Receivables (from non-exchange transactions)	16	57,519	19,743
Prepayments and other assets	17	89,656	22,860
<b>Total current assets</b>		<b>3,696,829</b>	<b>6,250,179</b>
<b>Non-current assets</b>			
Biological assets	27	418,516	313,670
Property, plant and equipment	21	281,037	295,167
Investment properties	20	21,196,309	18,221,078
Intangible assets	19	89,932	95,571
Other investments	18	7,976,156	4,257,254
<b>Total non-current assets</b>		<b>29,961,950</b>	<b>23,182,741</b>
<b>TOTAL ASSETS</b>		<b>33,658,779</b>	<b>29,432,920</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables (from exchange transactions)	22	217,015	163,077
Deferred revenue	23	349,258	131,616
Employee benefit liability	24	64,133	60,457
Loans	25	118,461	-
<b>Total current liabilities</b>		<b>748,867</b>	<b>355,150</b>
<b>TOTAL LIABILITIES</b>		<b>748,867</b>	<b>355,150</b>
<b>NET ASSETS / EQUITY</b>			
Available-for-sale financial assets fair value reserve		1,631,915	581,236
Accumulated revenue and expense		31,277,997	28,496,532
<b>Total net assets / equity</b>		<b>32,909,912</b>	<b>29,077,769</b>
<b>TOTAL NET ASSETS / EQUITY AND LIABILITIES</b>		<b>33,658,779</b>	<b>29,432,920</b>

Trustee 7<sup>th</sup> November 2016Trustee 7<sup>th</sup> November 2016*The above statements should be read in conjunction with the notes to and forming part of the financial statements.*CF  
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**Te Arawa Lakes Trust Group**  
**Consolidated Statement of Cash Flow**  
**For the Year Ended 30 June 2016**

	Note	2016 \$	2015 \$ Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from :			
Grants		323,240	666,661
Operating income		1,241,942	1,244,096
Other income		177,515	208,820
Payments to suppliers and employees		(2,155,561)	(2,226,028)
Net GST paid		(19,644)	(33,343)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(432,508)</b>	<b>(139,794)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		42,887	15,876
Dividends received		316,088	127,039
Sale of fixed assets		-	514,893
Payments for purchase of property, plant and equipment		(61,000)	(173,742)
Payments for purchase of investments		(2,668,222)	(77,188)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(2,370,247)</b>	<b>406,878</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from draw down of Fonterra loans		118,461	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>118,461</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		(2,684,294)	267,084
Cash and cash equivalents at beginning of year	14	6,038,002	5,770,918
<b>Cash and cash equivalents at the end of year</b>	<b>14</b>	<b>3,353,708</b>	<b>6,038,002</b>

*The above statements should be read in conjunction with the notes to and forming part of the financial statements.*

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 1 – Reporting entity

Te Arawa Lakes Trust (the "Trust") is a charitable organisation registered under the Charities Act 2005 on 10 December 2009, and is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

These financial statements comprising the Trust and its controlling entity, Te Arawa Management Limited, together the "Group", are presented for the year ended 30 June 2016.

These group financial statements and the accompanying notes summarise the financial results and activities carried out by the Group. All entities within the Group are charitable organisations registered under the Charities Act 2005.

These consolidated financial statements have been approved and were authorised for issue by the Board of Trustees on 7<sup>th</sup> November 2016.

#### Note 2 – Basis of preparation

##### a) Statement of compliance

The Group financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been issued by the External Reporting Board for Not-for-Profit entities. For the purposes of complying with NZ GAAP, the Group is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and is not defined as large.

The Board of Trustees has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions. This decision results in the Group not preparing a Statement of Service Performance for both reporting periods.

##### b) Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:

- Investment property
- Available for sale financial instruments

##### c) Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars (\$) which is the controlling entity's functional and Group's presentation currency, rounded to the nearest whole dollar.

There has been no change in the functional currency of the Group during the year.

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 3 – Changes in accounting policy

For the year ended 30 June 2015, the Group prepared its consolidated financial statements using the New Zealand Financial Reporting Standards ("NZ FRS"). These have now been restated to Not-For-Profit PBE IPSAS - RDR. An explanation of how the transition to Tier 2 Not-For-Profit PBE Accounting Standards has affected the reporting Statement of Financial Position and Statement of Comprehensive Revenue and Expenses is provided in Note 6 of the financial statements.

#### Note 4 – Use of judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

##### a) Judgements

Judgements made in applying accounting policies that have had the most significant effects on the amounts recognised in the financial statements include the following:

- Available for sale financial instruments
- Revenue recognition – non-exchange revenue (conditions vs. restrictions)
- Classification of lease arrangements
- Reclassification of property, plant and equipment to (from) investment property
- 

##### b) Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2016 include the following:

- Key assumptions underlying determining the recoverable amounts for impairment testing
- Useful life, recoverable amount, depreciation/amortisation method and rate
- Determination of fair values

#### Note 5 – Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group. The transition to PBE Standards RDR has no material impact on the accounting policies.

The significant accounting policies of the Group are detailed below:

- a) Basis of consolidation
- b) Foreign currency
- c) Revenue
- d) Employee benefits
- e) Finance income
- f) Financial instruments

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## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

- g) Impairment of non-derivative financial assets
- h) Property, plant and equipment
- i) Intangible assets
- j) Investment property
- k) Impairment of non-financial assets
- l) Leases
- m) Taxation

#### a) Basis of consolidation

##### i. Controlled entities

Controlled entities are entities controlled by the Group, being where the Group has power to govern the financial and operating policies of another entity so as to benefit from that entity's activities. The financial statements of the Group's controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsequent changes in a controlled entity that do not result in a loss of control are accounted for as transactions with controllers of the controlling entity in their capacity as controllers, within net assets/equity.

##### ii. Loss of control of a controlled entity

On the loss of control, the Group derecognises the assets and liabilities of the controlled entity and the other components of net assets/equity related to the controlled entity. Any surplus or deficit arising on the loss of control is recognised in surplus or deficit.

If the Group retains any interest in the previously controlled entity, then such interest is measured at fair value at the date that control is lost. Subsequently, the retained interest is either accounted for as an equity-accounted associated or an available-for-sale financial asset depending on the level of influence retained.

##### iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

##### c) Revenue

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Group, and measured at the fair value of consideration received or receivable.

The following specific recognition criteria in relation to the Group's revenue streams must also be met before revenue is recognised.

##### i. Revenue from exchange transactions

###### Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

For sales of milk and kiwifruit that occur on the Group entity's premises, transfer occurs at the point of sale.

###### Rental income on investment property

Rental income from investment property is recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

##### ii. Revenue from non-exchange transactions

Non-exchange transactions are those where the Group receives an inflow of resources (i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return.



## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

With the exception of services-in-kind, inflows of resources from non-exchange transactions are only recognised as assets where both:

- It is probable that the associated future economic benefit or service potential will flow to the entity, and
- Fair value is reliably measurable.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow.

Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where both:

- It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
- The amount of the obligation can be reliably estimated.

The following specific recognition criteria in relation to the Group's non-exchange transaction revenue streams must also be met before revenue is recognised.

##### Grants

The recognition of non-exchange revenue from other grants depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.

Stipulations that are 'conditions' specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a non-exchange liability that is subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue.

#### iii. Other income

##### Dividends

Income from dividends is recognised when the Group's right to receive payment is established, and the amount can be reliably measured.

#### d) Employee benefits

##### Short-term employee benefit

Short-term employee benefit liabilities are recognised when the Group has a legal or constructive obligation to remunerate employees for services provided with 12 months of

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

reporting date, and is measured on an undiscounted basis and expensed in the period in which employment services are provided.

e) Finance income and finance cost

Finance income comprises interest income on financial assets, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through surplus or deficit, and gains on the re-measurement to fair value of any pre-existing interest in an acquiree. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

f) Financial instruments

The Group initially recognises financial instruments when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

The Group also derecognises financial assets and financial liabilities when there has been significant changes to the terms and/or the amount of contractual payments to be received/paid.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies financial assets into the following categories: loans and receivables and available-for-sale.

Financial instruments are initially measured at fair value, plus for those financial instruments not subsequently measured at fair value through surplus or deficit, directly attributable transaction costs.

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

Subsequent measurement is dependent on the classification of the financial instrument, and is specifically detailed in the accounting policies below.

i. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses (refer Note 4(g)).

Loans and receivables comprise cash and cash equivalents and receivables.

Cash and cash equivalents represent highly liquid investments that are readily convertible into a known amount of cash with an insignificant risk of changes in value, with maturities of 3 months or less.

ii. Available-for-sale (AFS) financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets.

Available-for-sale financial assets are subsequently measured at fair value with gains or losses (other than foreign exchange gains or losses) recognised in other comprehensive revenue and expense and presented in the AFS fair value reserve within net assets/equity, less impairment (refer Note 4(g)).

Upon de-recognition, the accumulated gain or loss within net assets/equity is reclassified to surplus or deficit.

Available-for-sale financial assets comprise equity securities.

iii. Amortised cost financial liabilities

Financial liabilities classified as amortised cost are non-derivative financial liabilities that are not classified as fair value through surplus or deficit financial liabilities.

Financial liabilities classified as amortised cost are subsequently measured at amortised cost using the effective interest method.

Financial liabilities classified as amortised cost comprise payables loans.

g) Impairment of non-derivative financial assets

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.



## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an equity security classified as an available-for-sale financial asset, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

i. Financial assets classified as loans and receivables

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against loans and receivables or held-to-maturity. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

ii. Financial assets classified as available-for-sale

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in net assets/equity to surplus or deficit.

The cumulative loss that is reclassified from net assets/equity to surplus or deficit is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in surplus or deficit.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive revenue and expense.

#### h) Property, plant and equipment

##### i. Recognition and measurement

Items of property plant and equipment are initially measured at cost.

Items of property, plant and equipment are subsequently measured either under the:

- Cost model: Cost (or fair value for items acquired through non-exchange transactions) less accumulated depreciation and impairment.
- Revaluation model: fair value, less accumulated depreciation and accumulated impairment losses recognised after the date of the most recent revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Gains and losses on revaluation are recognised in other comprehensive revenue and expense and presented in the revaluation surplus reserve within net assets/equity. Gains or losses relating to individual items are offset against those from other items in the same class of property, plant and equipment, however gains or losses between classes of property, plant and equipment are not offset. Any revaluation losses in excess of credit balance of the revaluation surplus for that class of property, plant and equipment are recognised in surplus or loss as an impairment.

All of the Group's items of property plant and equipment are subsequently measured in accordance with the cost model, except for land and buildings which are subsequently measured in accordance with the revaluation model.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets includes the following:

- The cost of materials and direct labour
- Costs directly attributable to bringing the assets to a working condition for their intended use
- When the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.



## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

Upon disposal of revalued items of property, plant and equipment, any associated gain or losses on revaluation to that item are transferred from the revaluation surplus to accumulated surplus.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

iii. Depreciation

For plant and equipment, depreciation is based on the cost of an asset less its residual value, and for buildings is based on the revalued amount less its residual value. Significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in surplus or deficit on a diminishing value basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. Assets under construction are not subject to depreciation.

The diminishing value depreciation rates are:

Orchard	10.0-13.0%
Motor Vehicles	26.0-30.0%
Office Equipment	50.0-60.0%
Plant and Equipment	0-80.4%

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

i) Intangible assets

i. Recognition and measurement

Intangible assets are initially measured at cost.

Heritage assets with no future economic benefit or service potential other than their heritage value are not recognised in the statement of financial position.

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

All of the Group's intangible assets are subsequently measured in accordance with the cost model, being cost less accumulated amortisation and impairment.

The Group has no intangible assets with indefinite useful lives.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in surplus or deficit as incurred.

iii. Amortisation

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each amortisable intangible asset.

The amortisation rate of the kiwifruit licence is on straight-line basis at 10% (2015: 10%).

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

i. Recognition and measurement

Investment property is initially measured at cost, except those acquired through non-exchange transactions which are instead measured at fair value as their deemed cost at initial recognition.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are subsequently measured at fair value.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

##### i. Reclassifications

When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of an investment property changes to owner occupied, such that it results in a reclassification to property, plant and equipment, the property's fair value at the date of reclassification becomes its cost for subsequent accounting.

##### k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Group classifies its non-financial assets as non-cash-generating assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use of non-cash-generating assets, the present value of the future remaining service potential is determined using depreciated replacement cost method.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets.

Impairment losses are recognised in surplus or deficit.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### l) Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

##### Finance lease

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

##### Operating lease

Leases that are not finance leases are classified as operating leases.

Operating leases are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease.

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 5 – Significant accounting policies (continued)

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

##### m) Taxation

###### Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST.

###### Income Tax

The Group is incorporated under the Charitable Trusts Act 1957 and is exempt from income tax on income other than business income derived by the trustees in trust for charitable purposes under Section CW42 of the Income Tax Act 2007. Accordingly no provision is made for this expense.

##### n) Biological assets - crop

Biological assets are the kiwifruit crops hanging on the vines and trees on the Group's orchard. The crop is measured at their fair value less selling costs and costs to market. The fair value is determined based on the average net orchard gate return forecast as provided by Seeka Kiwifruit Industries Limited.

#### Note 6 – Transition to PBE Standard RDR adjustment

Impact on items in the statement of financial position			
Ref	Available-for-sale fair value reserve	Revaluation surplus	Accumulated revenue and expense
	\$	\$	\$
<b>Balance reported at 1 July 2014</b>	-	2,361,556	25,463,749
Revaluation of available-for-sale financial assets (a)	582,911	(582,911)	-
Revaluation of investment property (b)	-	(1,778,645)	1,778,645
Revaluation of biological assets (c)	-	-	313,670
<b>Restated balance at 1 July 2014</b>	<b>582,911</b>	<b>-</b>	<b>27,556,064</b>



## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 6 – Transition to PBE Standard RDR adjustment (continued)

**Note (a)** – Previously, the Trust recognised all gains and losses on revaluation of available-for-sale financial assets through the revaluation reserve in the Statement of Movements in Equity. The adjustment above reclassifies these movements through other comprehensive income in the Statement of Comprehensive Revenue and Expense.

**Note (b)** – Previously, the Trust recognised all gains and losses on revaluation of investment property through the revaluation reserve in the Statement of Movements in Equity. The adjustment above reclassifies these movements through other comprehensive income in the Statement of Comprehensive Revenue and Expense.

**Note (c)** – On transition to PBE Standard RDR, the Trust has revalued its biological assets to fair value less costs to sell in accordance with *PBE IPSAS 27 – Agriculture*. The adjustment above records the revaluation to fair value at the date of transition.

#### Note 7 - Revenue

	Note	2016 \$	2015 \$
<b>Revenue from exchange transactions:</b>			
Sales of milk		558,726	850,622
Sales of kiwifruit		33,329	-
Rental			
- Commercial		71,165	61,739
- Residential		282,622	248,685
		<u>353,787</u>	<u>310,424</u>
<b>Revenue from non-exchange transactions:</b>			
Provision of contract services		468,202	666,660
		<u>1,414,044</u>	<u>1,827,706</u>

#### Note 8 - Other revenue

	Note	2016 \$	2015 \$
Sundry income		78,619	50,727



**Te Arawa Lakes Trust Group****Notes to and Forming Part of the Consolidated Financial Statements****For the Year Ended 30 June 2016****Note 9 - Administration**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Accountancy fees		56,352	59,478
Administration expenses		38,317	25,280
Audit fees		9,848	9,971
Consultancy fees		130,376	160,354
Communication expenses		32,930	35,587
Discretionary distributions		3,000	2,000
Governance expenses		193,569	186,480
Lease expenses		20,551	14,456
Legal expenses		7,642	5,668
Meeting expenses		16,571	28,445
Other expenses		143,229	145,394
Register/beneficiaries		82,752	61,374
Secretarial expenses		22,768	21,975
		<b>757,905</b>	<b>756,462</b>

**Note 10 - Employee related costs**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Wages and salaries		443,412	498,589
KiwiSaver employer contributions		4,708	4,354
Other employee expenses		46,529	20,293
		<b>494,649</b>	<b>523,236</b>

**Note 11 - Provision of contract services**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Contractor expenses		63,277	-
Project expenses		134,032	108,697
Research expenses		40,000	171,085
		<b>237,309</b>	<b>279,782</b>

**Te Arawa Lakes Trust Group****Notes to and Forming Part of the Consolidated Financial Statements****For the Year Ended 30 June 2016****Note 12 - Operating expenses**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Farm expenses		305,263	348,330
Kiwifruit orchard expenses		100,311	36,948
Property expenses		48,724	43,281
Rates		161,162	109,061
Repairs and maintenance		101,142	134,364
		<b>716,602</b>	<b>671,984</b>

**Note 13 - Finance income**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Finance Income</b>			
Dividends received		287,119	127,040
Overseas income		28,970	26,477
<i>Interest income</i>			
Loans and receivables		143,689	275,953
Available-for-sale financial assets		42,887	15,876
		<b>502,666</b>	<b>445,346</b>

**Note 14 - Cash and cash equivalent**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Cash on hand		77	72
Bank deposits		526,256	420,853
Call deposits		2,827,375	5,617,077
<b>Cash and cash equivalents in the statement of cash flows</b>		<b>3,353,708</b>	<b>6,038,002</b>

Per annum annual interest rate ranges applicable to components of cash and cash equivalent:

Bank deposits	3.40-3.88%	4.08-4.83%
Call deposits	1.75-2.0%	1.5-2.8%

There are no restrictions over any of the cash and cash equivalent balances held by the Group.

**Te Arawa Lakes Trust Group****Notes to and Forming Part of the Consolidated Financial Statements****For the Year Ended 30 June 2016****Note 15 - Receivables - exchange transactions**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Trade receivables from exchange transactions		78,634	75,906
Net GST receivables		97,683	40,213
Interest accrued		19,629	53,455
		<b>195,946</b>	<b>169,574</b>

**Note 16 - Receivables - non-exchange transactions**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Provision of contract services		57,519	19,743

**Note 17 - Prepayment and other assets**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Prepayments - insurance		13,989	22,016
Other prepayments		75,667	844
		<b>89,656</b>	<b>22,860</b>

**Note 18 - Other investments**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<i>Available-for-sale financial assets</i>			
Debt securities (New Zealand corporate - listed)		796,501	252,312
Equity securities (New Zealand publicly listed)		6,436,251	3,402,329
Equity securities (Australia publicly listed)		743,403	602,613
		<b>7,976,155</b>	<b>4,257,254</b>

**Fair value measurement**

The above available-for-sale financial assets are traded on an active market and revalued to fair value based on the closing share price at the end of each reporting period. During the current year, this resulted in a gain on revaluation of \$1,050,679 (2015: \$1,675 loss on revaluation).

**Te Arawa Lakes Trust Group****Notes to and Forming Part of the Consolidated Financial Statements****For the Year Ended 30 June 2016****Note 18 - Other investments (continued)*****Per annum annual interest rate ranges applicable to debt securities:***

Debt securities (corporate)	5.80-6.75%	5.80-6.35%
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***Contractual maturities of debt securities:***

Debt securities (corporate)	1.5-5 years	2-5 years
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**Note 19 - Intangible assets**

	Note	2016 \$	2015 \$
<b><u>Cost</u></b>			
Balance at the beginning of the period		119,293	119,293
Additions (acquired externally)		4,161	-
Balance at the end of the period		123,454	119,293
<b><u>Accumulated amortisation and impairment</u></b>			
Balance at the beginning of the period		23,722	10,619
Amortisation		9,800	13,103
Balance at the end of the period		33,522	23,722
<b><u>Net book value</u></b>		89,932	95,571

The FM radio broadcast licence has been valued at \$1. A formal process will be undertaken when an appropriate method of valuation that complies with generally accepted accounting practices has been considered and adopted by the Company.

The Kiwifruit licence is amortised on a straight-line basis at a rate of 10%. There are no intangible assets with restrictions to title, nor pledged as security, over the Group's liabilities (2015: \$Nil).

**Note 20 - Investment properties**

	Note	2016 \$	2015 \$
Balance at the beginning of the period		18,221,078	17,737,228
Additions		31,700	101,064
Disposals		-	(514,893)
Carrying amount pre-revaluation			
Increase/(decrease) in fair value		2,943,531	897,679
Closing balance at the end of the period		21,196,309	18,221,078

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

##### Note 20 - Investment properties (continued)

###### *(i) Change in fair value*

The fair value of investment properties were determined at reporting date by TelferYoung (Rotorua) Limited (TelferYoung), an independent external qualified property valuer with recent experience in the location and category of the investment properties being valued.

There were no investment properties where, due to fair value not being reliably determinable, the cost model was applied.

###### *(ii) Methods and assumptions applied in determining fair value*

###### *Leasehold properties – Lyndhurst Avenue properties*

Firstly, the unimproved land value is assessed. Secondly, to determine the lessors interest, the present value of the current market rental (being 4.5% of the unimproved land value) less the contract rental. This is then divided by the capitalisation rate, determined by what a prudent investor would be prepared to pay for the income stream.

###### *Licences – Little Waihi Estuary*

A similar approach to that used for leasehold properties is used by determining what a prudent investor would pay for the income stream by using a suitable capitalisation rate (or yield). The rate used this year was 11.5% (compared to 12.5% in 2015).

###### *Freehold properties*

To establish a market value, the following valuation methodology is utilised:

###### *Market comparison*

This approach involves a comparison between the property and recent sales of similar properties in the surrounding area.

###### *Net rate*

Each sale is analysed to a residual for the dwelling after deducting the land, other improvements and chattels. The net rate is then expressed as a rate per square metre of the dwelling floor area. The net rates analysed from sales evidence are then compared to the dwelling to determine an appropriate rate to value the dwelling.

###### *Income approach (commercial and rural properties)*

Market rental cashflow and market investment return (yield) are analysed from available rental and sales evidence.

###### **(iii) Investment property characteristics**

The group own a number of properties within Maketu and Rotorua. The properties are a mixture of both Maori Freehold and General Freehold tenure and consist of two dairy farms (including a small kiwifruit orchard), three commercial properties (Rotorua), 27 various residential/rural sections, 23 estuary licences and 37 leasehold properties.



## Te Arawa Lakes Trust Group

## Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended 30 June 2016

## Note 21 - Property, plant and equipment

Group	Note	Orchard	Plant and equipment	Motor vehicles	Office equipment	Total
<i>Cost or valuation</i>		\$	\$	\$	\$	\$
Balance as at 1 July 2014		277,745	231,828	37,550	3,995	551,118
Additions (exchange)		27,597	26,465	20,000	-	74,062
Disposals		-	(3,155)	(14,218)	-	(17,373)
Balance as at 30 June 2015		305,342	255,138	43,332	3,995	607,807
Balance as at 1 July 2015		305,342	255,138	43,332	3,995	607,807
Additions (exchange)		7,965	27,124	-	-	35,089
Disposals		-	(27,539)	-	-	(27,539)
Balance as at 30 June 2016		313,307	254,723	43,332	3,995	615,357

**Te Arawa Lakes Trust Group**  
**Notes to and Forming Part of the Consolidated Financial Statements**  
**For the Year Ended 30 June 2016**

**Note 21 - Property, plant and equipment (continued)**

Group	Orchard	Plant and equipment	Motor vehicles	Office equipment	Total
	\$	\$	\$	\$	\$
<i>Accumulated depreciation and impairment</i>					
<i>Balance as at 1 July 2014</i>	(62,828)	(199,230)	(26,380)	(3,768)	(292,206)
<i>Depreciation</i>	(18,538)	(12,373)	(5,397)	(114)	(36,422)
<i>Disposals</i>	-	3,034	12,954	-	15,988
<i>Balance as at 30 June 2015</i>	(81,366)	(208,569)	(18,823)	(3,882)	(312,640)
<i>Balance as at 1 July 2015</i>	(81,366)	(208,569)	(18,823)	(3,882)	(312,640)
<i>Depreciation</i>	(20,037)	(19,817)	(6,065)	(57)	(45,976)
<i>Disposals</i>	-	24,296	-	-	24,296
<i>Balance as at 30 June 2016</i>	(101,403)	(204,090)	(24,888)	(3,939)	(334,320)

30

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## Te Arawa Lakes Trust Group

## Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended 30 June 2016

## Note 21 - Property, plant and equipment (continued)

Group	Note	Orchard	Plant and equipment	Motor vehicles	Office equipment	Total
Cost or valuation Net book value		\$	\$	\$	\$	\$
As at 1 July 2014		214,917	32,598	11,170	227	258,912
As at 30 June 2015		223,976	46,569	24,509	113	295,167
As at 30 June 2016		211,904	50,633	18,444	56	281,037
Carrying amounts of:		2016	2015			
Orchard		\$	\$			
Plant and equipment		211,904	223,976			
Motor vehicles		50,633	46,569			
Office equipment		18,444	24,509			
		56	113			
		281,037	295,167			
Depreciation of property, plant and equipment		45,976	36,422			
Amortisation of intangible assets	18	9,800	13,103			
Total Depreciation costs		55,776	49,525			

31

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**Te Arawa Lakes Trust Group****Notes to and Forming Part of the Consolidated Financial Statements****For the Year Ended 30 June 2016****Note 22 - Payables - exchange transactions**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Trade payables from exchange transactions		217,015	163,077

**Note 23 - Deferred revenue**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Revenue received in advance - provision of services		40,509	80,509
Rent received in advance		308,750	51,106
		<b>349,259</b>	<b>131,616</b>

**Note 24 - Employee benefit liability**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Short-term employee benefits - annual leave		34,594	44,301
Short-term employee benefits – bonus and fees accruals		29,539	16,156

**Note 25 - Loan**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Fonterra co-operative support loan		118,461	-

The loan is interest free until 31 May 2017, after which Fonterra may charge interest. The loan can be repaid at any time and no security is required over Fonterra shares or any other assets. The loan will be repayable directly from milk payments.

**Te Arawa Lakes Trust Group**  
**Notes to and Forming Part of the Consolidated Financial Statements**  
**For the Year Ended 30 June 2016**

**Note 26 - Financial instruments**

**(i) Classification and fair values of financial instruments**

The table below shows the carrying amount of the Group's financial assets and financial liabilities.

**Group - 30 June 2016**

	Note	Carrying amount \$		
		Financial assets	Financial liabilities	Total
		Loans and receivables	Available for sale	Amortised cost
<i>Subsequently measured at fair value:</i>				
<b>Securities:</b>				
Debt securities (New Zealand corporate - listed)	17	-	796,502	-
Equity securities (New Zealand publicly listed)	17	-	6,436,251	-
Equity securities (Australia publicly listed)	17	-	743,403	-
				796,502
				6,436,251
				743,403
<i>Subsequently not measured at fair value:</i>				
<b>Cash and cash equivalents (assets)</b>				
Receivables	13	3,353,708	-	-
Receivables (monetary)	14	158,120	-	-
Payables	15	57,519	-	-
Loans	21	-	-	(217,015)
	24	-	-	(118,461)
		<b>3,569,347</b>	<b>7,976,156</b>	<b>(335,475)</b>
				<b>11,210,027</b>



**Te Arawa Lakes Trust Group**  
**Notes to and Forming Part of the Consolidated Financial Statements**  
**For the Year Ended 30 June 2016**

**Note 26 - Financial instruments (continued)**

**Group - 30 June 2015**

	Note	Carrying amount \$		
		Financial assets	Financial liabilities	Total
		Loans and receivables	Available for sale	Amortised cost
<i>Subsequently measured at fair value:</i>				
<b>Securities:</b>				
Debt securities (New Zealand corporate - listed)	17	-	252,312	-
Equity securities (New Zealand publicly listed)	17	-	3,402,329	-
Equity securities (Australia publicly listed)	17	-	602,613	-
				252,312
				3,402,329
				602,613
<i>Subsequently not measured at fair value:</i>				
<b>Cash and cash equivalents (assets)</b>				
Receivables	13	6,038,002	-	-
Receivables (monetary)	14	169,574	-	-
Payables	15	19,743	-	-
	21	-	-	(163,077)
		<b>6,227,319</b>	<b>4,257,254</b>	<b>(163,077)</b>
				<b>10,321,496</b>

**(ii) Fair values**

Fair value determination for financial instruments subsequently measured at fair value are as follows:

*Debt securities (listed) and equity securities (listed)*

Fair values are based on the quoted market price in the active market of the security at reporting date.

## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

##### Note 27 – Biological assets - crop

Crops growing on kiwifruit vines are classified as biological assets and measured at fair value. Fair value is determined based on the estimated net market return less selling costs and costs to market as determined by Seeka Kiwifruit Industries Limited.

The following table reconciles the beginning balances to end balances.

	Note	2016 \$
Carrying amount at 1 July 2015		313,670
Gain arising from changes in fair value less costs to sell		104,846
Carrying amount at 30 June 2016		<u>418,516</u>

##### Note 28 - Group entities

A listing of the Group's significant controlled entities is presented below:

	Note	Ownership interest	
		2016 %	2015 %
Te Arawa Management Limited		100%	100%

All controlled entities have the same reporting date as the controlling entity.

There are no significant restrictions regarding to the transfer of dividends, loan repayments, and other funds from controlled entities.

**Te Arawa Lakes Trust Group****Notes to and Forming Part of the Consolidated Financial Statements****For the Year Ended 30 June 2016****Note 29 - Operating leases****(i) Lease as lessor**

The future non-cancellable minimum lease payments of operating leases as lessor at reporting date are detailed in the table below:

	2016 \$	2015 \$
Less than one year	219,197	217,961
Between one and five years	927,382	950,553
Greater than 5 years	1,265,269	1,446,431
<b>Total non-cancellable operating lease payments</b>	<b>2,411,848</b>	<b>2,614,946</b>

The group has entered into a number of material operating leases and licences for its investment properties as follows:

***Leasehold properties***

Te Arawa Management Limited has entered into 37 individual lease agreements for the leasehold properties situated on Lyndhurst Avenue, Maketu. The rental from these properties are \$149,605 per annum (average of \$4,043 per property per annum). The majority of these leases have a final expiry date of 31 March 2013.

***Western Bay of Plenty Sewage Scheme***

Te Arawa Management Limited has entered into a lease agreement with the Western Bay of Plenty District Control for their sewage scheme for a period of 50 years from 27 May 2011. The final expiry date is 26 May 2061. The rental from the lease is \$23,861 per annum.

***Buildings***

Te Arawa Management Limited has entered into a lease agreement with Te Arawa Lakes Trust for the premises and four carparks situated at 1194 Haupapa Street, Rotorua for a period of four years from 1 July 2013. The lease has a four year Right of Renewal. The rental from the lease is \$21,569 per annum.

Te Arawa Management Limited has entered into a lease agreement with Third Place Café Limited for the premises and one carpark situated at 39 Lake Road, Rotorua. The lease operates on a monthly basis. The rental from the lease is \$901 per month.

Te Arawa Management Limited has entered into a lease agreement with N H Kim for the premises situated at 1189 Pukuatua Street, Rotorua. The lease operates on a monthly basis at a monthly rental of \$1,533.

Te Arawa Management Limited has entered into a lease agreement with G & B Layne for the premises situated at Maketu A3 – Lot 3. The lease operates on a monthly basis at a monthly rental of \$1,777.

Te Arawa Management Limited has entered into a lease agreement with M Basham for the premises situated at Maketu A3. The lease operates on a monthly basis at a monthly rental of \$1,560 per month.

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**Te Arawa Lakes Trust Group****Notes to and Forming Part of the Consolidated Financial Statements****For the Year Ended 30 June 2016****Note 29 - Operating leases (continued)**

Te Arawa Management Limited has entered into a lease agreement with C Rolleston for the premises situated at 3 Park Road, Maketu. The lease operates on a monthly basis at a monthly rental of \$1,387.

Te Arawa Management Limited has entered into a lease agreement with B Goldsbury for the premises situated at 3 Park Road, Maketu. The lease operates on a monthly basis at a monthly rental of \$997.

***Estuary Licences***

Te Arawa Management Limited has entered into 23 individual estuary licences on Little Waihi Estuary for an annual licence fee of \$46,069 (or \$2,003 each). The licences are on monthly terms with no fixed expiry date.

**Te Arawa Lakes Trust Group**  
**Notes to and Forming Part of the Consolidated Financial Statements**  
**For the Year Ended 30 June 2016**

**Note 30 - Related party transactions**

**Key management personnel remuneration**

The Group classifies its key management personnel into one of the three classes:

- Trustees
- Senior executive officers, responsible for reporting to the Trustees
- Directors

The Trustees of the Komiti Whakahaere Committee are paid a meeting fee of \$300 for each meeting attended during the year.

The Trustees of Te Arawa Lakes Trust are paid \$300 for each meeting attended during the year. The Chair and the Deputy Chair are each paid an honorarium of \$28,000 and \$16,000 per annum respectively.

Senior executive officers are employed as employees of the Group, on normal employment terms.

The company board comprise a chairman and four directors. They receive an annual salary of \$22,500 and \$15,000 each respectively. In addition, they are eligible for a bonus of \$3,500 each, based on their achievement of KPIs.

The aggregate level of remuneration paid and number of persons (measured in 'people' for the Trustees, and full-time-equivalents' (FTE's) for Senior executive officers) in each class of key management personnel is presented below:

	2016		2015	
	Remuneration \$	Number of individuals	Remuneration \$	Number of individuals
Trustees	85,600	9 people	78,800	9 people
Senior executive officers	100,000 – 150,000	1 person	100,000 – 150,000	1 person
Directors	98,833	8 people	96,500	6 people
	<b>184,433</b>		<b>175,300</b>	



## Te Arawa Lakes Trust Group

### Notes to and Forming Part of the Consolidated Financial Statements

#### For the Year Ended 30 June 2016

#### Note 31 - Commitments and contingencies

##### (i) Commitments

As at balance date, the Group had committed to capital expenses of \$Nil (2015: Nil).

##### (ii) Contingent assets

A contingent land asset with an estimated fair market value of \$6,769,691 exists (2015: \$6,828,922).

A revaluation of the land was conducted by TelferYoung on 30 June 2016. This includes the land lease properties located at Maketu and Little Waihi.

The land has not been recognised in these financial statements as an asset because the ownership remains subject to a determination from the Maori Land Court which is still pending.

Subject to the decision from the Maori Land Court, the land will be settled in Te Arawa Lakes Trust.

#### Note 32 - Events after reporting date

There are no subsequent events to the year under review.

#### Note 33 – Going Concern

The Trust is reliant on the dividend distribution from Te Arawa Management Limited and Crown Funding in order to maintain its operations. It remains a going concern on this basis.

#### Note 34 – Te Arawa Lake Beds – Heritage Assets

The 13 lake beds listed below were transferred to the Trust ownership under the terms of their Treaty of Waitangi Settlement with the Crown. The Lake beds are considered to be heritage assets and are of significant cultural value to Te Arawa iwi. The Trustees believe there is no practical means of valuation that would reflect their full value, therefore, they have not been valued.

Tarawera  
Tikitapu  
Rotoehu  
Ngapouri  
Tutaeinganga

Rotoiti  
Okataina  
Rotoma  
Rotomahana

Rotorua  
Okareka  
Rerewhakaaitu  
Ngahewa